



# ***Daily Report***

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## **China**

FBIS-CHI-94-133  
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## China

FBIS-CHI-94-133

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12 July 1994

**NOTICE TO READERS:** An \* indicates material not disseminated in electronic form.

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**General**

**UN Envoy Says China Supports Making Indian Ocean Peace Zone**

OW1107224694 Beijing XINHUA in English 2158  
GMT 11 Jul 94

[Text] United Nations, July 11 (XINHUA)—China hopes that the goal of the Indian Ocean region as a zone of peace can be achieved at an early date, Chinese representative Li Zhaoxing told the UN ad hoc committee on the Indian Ocean today.

The ad hoc committee was established in 1972 following the adoption of "The Declaration of the Indian Ocean as a Zone of Peace" by the UN General Assembly in 1971. As requested by a resolution of the 48th session of the General Assembly, the committee is continuing consideration of new alternative approaches to achieving the goal of establishing the region as a zone of peace following the great changes in the international situation in recent years.

Ambassador Li, China's permanent representative to the UN, today briefed the committee on China's stand on the issue.

"China has consistently supported the efforts of the states of the Indian Ocean region to safeguard their national independence, sovereignty and regional peace, security and stability," he said.

"China has supported these states in their common desire and active efforts concerning the establishment of the Indian Ocean as a zone of peace, hoping that this goal can be achieved at an early date in order to contribute to the peace, security and stability of the region and the world," he went on.

He noted that to achieve the goal, joint efforts of states both within and outside the region are required: major powers outside the Indian Ocean must remove their military presence in the Indian Ocean region and refrain from using any means to carry out their threats, interference and aggression against the states of the region; the states of the region must develop their mutual relations on the basis of the following five principles—mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

"China supports the idea that the states of the region will not seek armament beyond their reasonable defence needs and will adopt practical measures to prevent the proliferation of nuclear weapons and other weapons of mass destruction to the region," he said.

Li told the committee that recent change in the international situation has provided favorable conditions and opportunities for establishing the Indian Ocean as a zone of peace.

"China will support the efforts of the ad hoc committee, as it has done in the past, and will positively consider any reasonable, feasible new approaches that are presented by the states concerned based on extensive consultations and are conducive to the establishment of the Indian Ocean as a zone of peace," he concluded.

**Qian Qichen Meets With IAEA Director General**

OW1207073794 Beijing XINHUA in English 0651  
GMT 12 Jul 94

[Text] Beijing, July 12 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen met with Hans Blix, visiting director general of the International Atomic Energy Agency [IAEA], here this morning.

The two reviewed the fruitful exchanges and cooperation between China and the International Atomic Energy Agency in promoting the peaceful use of nuclear energy over the past decade.

They expressed satisfaction with such cooperation, hoping that bilateral cooperation will be further enhanced.

During the meeting Qian also exchanged views with Blix on issues related to the treaty on non-proliferation of nuclear weapons, the comprehensive nuclear test ban treaty and the convention on prohibition of fissile material production for weapon purpose as well as the Korean nuclear question.

Jiang Xinxiong, chairman of the China Atomic Energy Authority, was present at the meeting.

**Defense Minister Chi Haotian Departs for Russia, Pakistan**

OW1107120694 Beijing XINHUA in English 1111  
GMT 11 Jul 94

[Text] Beijing, July 11 (XINHUA)—Chinese State Councillor and defense minister, General Chi Haotian, left here today on an official goodwill visit to Russia and Pakistan.

Chi has been invited, respectively, by Russian Defense Minister Pavel Sergeyevich Grachev and Pakistani Defense Minister Aftab Shaban Mirani.

Accompanying Chi on the visit were Du Tiehuan, deputy director of the General Political Department of the People's Liberation Army, Li Xinliang, political commissar of Shenyang military area command, and Guo Boxiong, deputy commander of Beijing military area command.



**President Clinton To Visit Germany After G-7 Summit***OW1007155094 Beijing XINHUA in English 1446 GMT 10 Jul 94*

[Text] Bonn, July 10 (XINHUA)—United States President Bill Clinton will arrive here this evening for a two-day official visit following the G-7 summit in Naples.

As the first U.S. president to visit Germany since the end of the Cold War, Clinton will discuss Germany's role in world politics and other international issues with German Chancellor Helmut Kohl.

Clinton has pointed that Germany cannot escape a leading role in international affairs.

Their first talk tomorrow morning is expected to concentrate on German participation in military operations abroad, the situation in Eastern Europe, peace efforts in the former Yugoslavia, and the crisis in the Korean peninsula.

It has been reported in Washington that Clinton plans to cover issues such as the neo-Nazi movement and xenophobia in Germany.

Clinton will also visit Berlin and deliver a short speech in front of the Brandenburg Gate, a former symbol of the country's division, and now the symbol of unity.

**Clinton, Kohl Hold Talks in Bonn***OW1107174894 Beijing XINHUA in English 1545 GMT 11 Jul 94*

[Text] Bonn, July 11 (XINHUA)—German Chancellor Helmut Kohl and U.S. President Bill Clinton emphasized during an one-hour talk here today that their two countries should strengthen cooperation.

Kohl said Germany will not change its policy that the close relationship among the Atlantic pact countries can never be abandoned.

Clinton said new institutions and connections should be set up so that Central and Eastern European countries can be made more stable through trade and the Partnership for Peace plan of the North Atlantic Treaty Organization (NATO).

During his visit to Latvia and Poland last Wednesday and Thursday, Clinton stressed that economic reforms and political ties between Western countries and Central and Eastern Europe should be supported.

Referring to Germany's role in the world, Clinton said the United States would like to see Germany take part in international operations without limitations in the near future.

Kohl agreed that Germany should fulfill its international obligations.

At a dinner honoring Clinton, Kohl said Germany is willing to take on more responsibility in solving international issues and conflicts.

The German Federal Constitution Court will rule tomorrow on whether the German Army can participate in military operations outside NATO. The court is expected to rule in the affirmative.

Clinton and Kohl agreed that it is too early to talk about ending the arms embargo in Bosnia. Instead, people should wait and see if the warring sides will accept the latest peace proposal.

Clinton arrived here on Sunday for a two-day official visit to Germany following the G-7 summit in Naples.

**Commentary Views Clinton's Possible Actions at G-7 Summit***OW0807113594 Beijing China Radio International in Mandarin to Asia 0900 GMT 7 Jul 94*

[Announcer-read commentary by Washington correspondent (Lou Qiao); from the "Report on Current Events" program]

[Text] On 5 July, U.S. President Clinton left Washington for Europe to attend this year's G-7 summit. Please listen to the commentary by our Washington correspondent, (Lou Qiao), on this issue. The commentary's title is "Clinton Hopes To Change His Image With the Help of the G-7 Summit":

The annual G-7 summit will open in Naples, Italy, on 8 July. Leaders from the most developed industrialized countries—the United States, Japan, Germany, France, the United Kingdom, Italy, and Canada—will attend the three-day meeting.

This is the second time that U.S. President Clinton has attended the G-7 summit. Clinton made his debut on the international stage at the G-7 summit in Tokyo after he was elected U.S. president last year. A former White House official spoke highly of Clinton's performance at that meeting. However, this year will be quite different. Clinton's political and economic policies are constantly being criticized by domestic and international political groups and the press.

On the one hand, Clinton wavers while making decisions on domestic political and foreign affairs. Take some major foci of international attention—the DPRK nuclear issue, the Haitian crisis, the conflict in Somalia, and fighting in Bosnia-Herzegovina—for example. Clinton frequently changes his policies on these issues, thus making people doubt the continuity and consistency of the United States' policy. Comments made by Washington press circles pointed out that Clinton's wavering has made people wonder what are the original intentions and purposes of his foreign policy.

On the other hand, in the economic and trade sectors, the fact that the U.S. dollar has slid sharply against the

Japanese yen and the German mark [DM] shows that investors have lost confidence in the U.S. economy. Since Clinton took office last January, the U.S. dollar has fallen 25 percent against Japanese yen. Since the start of this year, the U.S. dollar has fallen 9.2 percent against the DM as well. Last week, the U.S. dollar crashed through the 100-yen barrier and hit a record low of 97.77 on 1 July. The turbulent Japanese political situation did not do any good to the U.S.- Japanese trade talks.

The U.S. trade deficit has not dropped a bit. In the first four months of this year, its trade deficit totaled more than \$40 billion, which is a six-year record high.

The aforementioned facts have seriously shattered the public's support for Clinton. The latest Gallup poll reveals that public support for Clinton has dropped from 50 percent last year to 34 percent last month. Therefore, Clinton is eager to change the current unfavorable situation with the help of the G-7 summit, and he will try at the summit to reestablish the so-called world leader image for the United States.

Experts have held: Clinton will make efforts to convince his Western allies that the United States is still a place worth investing in and that it still can play an absolutely stable leading role in international political affairs.

To support his argument, Clinton may put forward some suggestions at this G-7 summit. First, he may propose a tax cut and the changing of modes of trade. Economists have held that the U.S. economy is developing in the direction of raising tax rates, increasing spending on social welfare, depending on government planning for trade, and favoring trade protectionism. At present, the G-7 countries' tax rates are the highest in the world. Of these countries, the amount of tax that Germans, Italians, and Japanese have to pay to their governments is more than 50 percent of their incomes; Britons, 40 percent; Americans, 31 percent; French people, 30 percent; and Canadians, 29 percent. The high tax rate policy is being implemented by the Western countries to make up for the losses suffered during the long-term economic recession.

The United States has urged Japan to cut taxes to boost the U.S. economy and U.S. exports. It is possible that Clinton will ask other allies to do the same.

In addition, to put an end to the United States' unfavorable diplomatic situation, Clinton may emphatically raise the question of the DPRK nuclear issue. He will spare no effort to persuade Western countries and Russia to be on Washington's side. On the issue of Bosnia-Herzegovina, he may stress the role of NATO and the United States' leadership in Europe.

In a nutshell, the trip to Naples offers Clinton a chance to change his image. It is of great significance to both the U.S. economy and to Clinton's chances of being reelected president in the 1996 election.

**Yeltsin Arrives for Political Talks at G-7 Summit**  
*OW1007015594 Beijing XINHUA in English 1741  
GMT 9 Jul 94*

[Text] Naples, Italy, July 9 (XINHUA)—Russian President Boris Yeltsin arrived here today to take part in the political discussions of the Group of Seven summit.

For the first time, Russia will be allowed to shape the political declaration of the annual gathering of the world's seven major economic powers.

But Moscow is still barred from joining in the economic talks of the summit.

Yeltsin participates in the political discussions tomorrow on the last day of the summit and will meet G-7 leaders here, including U.S. President Bill Clinton.

Speaking to reporters on arrival, Yeltsin said he is in no hurry to push the process of including Russia in the group fully.

"At the moment our economy is not entirely coordinated with the economies of the big countries of the world," he said. "Therefore I am not rushing and will not rush. We will await the natural development of events."

Describing the natural process of including Russia in any future G-8, he said, "When that happens, not just in the political sphere but when our economic parameters coincide, it will be a natural process, a natural G-8."

**Yeltsin Says Troops Not Ready To Leave Estonia**  
*OW1007185994 Beijing XINHUA in English 1741  
GMT 10 Jul 94*

[Text] Naples, Italy, July 10 (XINHUA)—Russian President Boris Yeltsin said today Russian troops were not yet ready to leave Estonia as scheduled, but added that he would try to negotiate a pullout by the end of August.

Speaking at a joint news conference after a 90-minute meeting with U.S. President Bill Clinton here, Yeltsin said "gross violations of human rights" of the ethnic Russian minority in Estonia made things there somewhat more difficult.

There was no agreement so far, said Yeltsin, who was here for the political talks of the group of seven summit which ended earlier in the day.

But the Russian leader said he had promised Clinton to make another attempt to negotiate a withdrawal of Russian troops from the Baltic country by the end of August.

He said Clinton had urged respect for human rights and he expected Estonian President Lennart Meri to take note.

Clinton told the same news conference earlier that he was confident an agreement could be reached.



"I believe the differences between the two countries have been narrowed and that an agreement can be reached in the near future so that the troops will be able to be withdrawn by the end of August," he said.

Estonia is the last of the three Baltic republics to negotiate a withdrawal of Russian troops. August 31 is a deadline agreed upon earlier, but subsequently suspended.

Russian troops had already left Lithuania and would pull out of Latvia by August 31.

### **Russia's Shokhin Says West Should Support Reforms**

OW1107174794 Beijing XINHUA in English 1559 GMT 11 Jul 94

[Text] Moscow, July 11 (XINHUA)—Russian Deputy Prime Minister Aleksandr Shokhin claimed here today that the West "fully supports" Russian reforms at the Naples summit.

At a news conference held in the White House, now headquarters of the Russian Government, Shokhin said: "the practice of giving financial support in exchange for reforms which had been used by the West towards Russia until now would be replaced by another formula—the creation of universal mechanisms of Russia's relations with international financial organizations."

This would enable Russia to broaden its access to financial resources, primarily those provided by the International Monetary Fund, the deputy premier added.

He stressed that Russia did not ask for new aids from the West at the summit of the seven leading industrialized countries (G-7) in Naples, Italy.

However, he continued, in accordance with the new formula of cooperation, Russia is entitled to expect extra investments into its economy worth around 4 billion U.S. dollars.

Moreover, he pointed out, the participants in the summit supported Russia's proposal about broadening Russia's access to the world market and Russia's joining the GATT agreement.

Shokhin, who accompanied President Boris Yeltsin during the Naples summit, told reporters that U.S. President Bill Clinton told Yeltsin in Naples that he was ready to lift discriminatory measures against Russia in trade soon, including the Jackson-Vanik amendment.

Shokhin, also Russia's economics minister, said it was important that "full mutual understanding" was reached between Russia and the G-7 group on political matters.

"Western leaders agreed that it is impossible to resolve global problems without Russia," Shokhin noted.

### **Commentators Support Beijing's Policy on GATT Membership**

HK1207062394 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1359 GMT 11 Jul 94

["Special feature" by Hong Wen (1738 5113): "China's Practical Approach To GATT Re-entry Is Praiseworthy"]

[Text] An official from the Chinese Ministry of Foreign Trade and Economic Cooperation has indicated that China will submit its final package of concessions to the GATT talks in Geneva on 29 July, adding that China will not accept the "impossible concessions" demanded by a certain signatory state. Some people in Hong Kong business circles and academics point out that China's realistic approach suggests its persistence in taking a practical stance on reentering GATT; this stance has not changed because of obstacles. As a matter of fact, if GATT refuses China's re-entry, this will not benefit any of the trade partners.

Wong Yee-hung, vice chairman of Hong Kong's Chinese General Chamber of Commerce, told this reporter that it is more appropriate to describe China's approach to re-entering GATT as "practical" than "strong." As a matter of fact, as a nation which pays particular attention to trustworthiness, China has always persisted with a realistic stance in striving to reenter GATT. It promises to do whatever it can, it does not conceal its views on what it cannot fulfill because of restrictions from objective conditions, and it does not make irresponsible commitments.

He pointed out: China persists in taking a serious and sincere attitude on re-entering GATT. The international community should acknowledge and respect this attitude over the last few years. China's efforts toward this end are known to all. But some GATT signatory nations have resorted to political tricks and set too many unreasonable demands to hamper China's readmission to the GATT. This practice, which proceeds from politics, fundamentally runs counter to the spirit of GATT.

He said: Whether China can successfully re-enter the GATT does not depend on its efforts but on the willingness of some GATT signatory nations to acknowledge facts and abandon their prejudices. The whole world regards China as a rapidly emerging trade force and countries which have economic and trade relations with China hope that China can become a GATT member as soon as possible. If China cannot reenter GATT because of unfair treatment, not only China but the whole world will suffer losses.

Chan Man-hung, director of the Hong Kong Polytechnic's China Business Center, pointed out: Following the switch of the global economic focus to the Asia-Pacific region, Western nations are taking a deeper interest in and are relying more on the Chinese market; in other words, not only does China need GATT, but GATT needs China even more.

On man-made obstacles, Chan Man-hung said that China need not stoop to compromise or make rash commitments to secure readmission to the GATT, still less should it sacrifice its national interests. Taken as whole, the West is more eager to see China reenter GATT than China is itself, and if excessive demands are made and this causes the GATT talks to fail, GATT will suffer greater losses [sentence as received]. In this case, China has no obligation to keep its promises and can flexibly proceed with its economic reforms in light of its characteristics and plans.

#### **UNICEF Chief Praises China's Children's Program Efforts**

OW1007005194 Beijing XINHUA in English 1647  
GMT 9 Jul 94

[Text] Beijing, July 9 (XINHUA)—J. Grant, executive director of the United Nations Children's Fund (UNICEF), said here today that what China has done in promoting the cause of the world's children "has a significance far beyond its own territory".

He told a press conference: "It can not be a global program without China."

Grant said that one of the reasons for his visits to China every 18 months is that the country is "rapidly becoming a leader" in the global children's program and also "an example" for implementing the program.

Another reason for him to come so often is that China is a country with the most children in the world.

The 72-year-old Grant, who arrived here July 3 for his eighth visit to China, spoke highly of China's efforts to popularize the immunization of children.

He said that China is a real model in many ways and has done well in lowering its children's death rate and providing primary school education for all school-age children.

What China has done in these areas is even better than some other countries which have per capita incomes four or five times higher than China's, he added.

Grant expressed the hope that efforts would be further made by China in providing iodized salt and oral rehydration therapy (ORT).

He said that there are in the world about 350 million people lacking iodine, which may lead to lower intelligence.

Grant expressed the belief that China will achieve the desired results in implementing the mid-term goals set in the 1990s program for children's development in China.

Besides, he said he hoped China would make continuous efforts to lower new-born infants' death rate caused by tetanus.

During this visit, Grant said, he discussed with Chinese officials matters related to the convention of the International Conference on Population and Development in Cairo in the coming September and of the World Conference on Social Development and the World Conference on Women, to be respectively held in Copenhagen and Beijing next year.

Also, he had expressed great regret over the tragedy of floods hitting south China this year. He said UNICEF is making a contribution of 100,000 U.S. dollars to the flood-stricken areas.

Since 1980 UNICEF has provided China with a total of 200 million U.S. dollars in technical assistance, mainly used in developing children's health protection, basic education, and the recovery of injured and handicapped children.

Grant noted that China not only receives aid from UNICEF, but also makes contributions to it.

He expressed appreciation for China's offering UNICEF annual contributions of one million U.S. dollars from this year.

#### **'Commentary' Views Dollar's Continuing Devaluation**

HK1107073994 Beijing RENMIN RIBAO in  
Chinese 7 Jul 94 p 7

["Special commentary" by Tan Yaling (6223 7161 3781): "Why Does U.S. Dollar Fall Against the Yen?"—passages within slantlines published in boldface]

[Text] Following the U.S. dollar's fall to 100 yen in New York on 21 June, the foreign exchange markets in Tokyo and London also set historical records of less than 100 yen to the dollar on 22 June. On 30 June, the price ratio between the yen and the dollar was 98.47 to 1, the highest since World War II. Since the beginning of the year, the dollar has lost 10 percent of its value against the yen.

The great fluctuations in the foreign exchange markets are obviously nonconductive to the United States, whose economy is growing, and undoubtedly unhealthy for Japan, whose economy is emerging from recession. The reasons for the great fluctuations are complicated.

We can sum up three major reasons for the considerable devaluation of the dollar and the revaluation of the yen by using the following three points:

1. **U.S.-Japanese trade friction has been exacerbated.** Although the rise and fall of the dollar in the long term depends on U.S. economic strength and the purchasing power of the dollar, changes in the law of the dollar's exchange rate over the short term are more subject to the situation in the market. One of the most serious challenges to the dollar's exchange rate is the persistently high U.S. foreign trade deficit. The primary reason for the revaluation of the yen is Japan's huge trade surplus.

As of May 1994, Japan's trade surplus came to \$6.54 billion, of which \$3.037 billion was the surplus with the United States. In order to change the Japanese-U.S. trade imbalance, the United States has repeatedly urged the revaluation of the yen. Although the Japanese Government has expressed many times its willingness to adopt measures, in practice it has done less than it said it would. Protracted U.S.-Japanese trade talks have continued for 21 months and have not achieved any results. Since February, the U.S.-Japanese trade talks have been in a stalemate. U.S. Trade Representative Mickey Kantor has pointed out on many occasions that if no results are achieved in talks on the U.S.-Japanese trade framework, the United States will exercise its right to impose economic sanctions against Japan to compel it to further open its home market. This tough attitude has strengthened the impression in the foreign exchange market of the Clinton administration's uncompromising stance on the U.S.-Japanese trade talks. It has also clearly shown that in order to open Japan's markets, the United States will once again acquiesce in the revaluation of the yen.

**2. Japan's political instability makes it difficult for the Japanese government to control the revaluation of the yen.** In less than three months, two huge changes have occurred in Japanese politics. On 8 April, former Japanese Prime Minister Morihiro Hosokawa announced his resignation. The sudden news caused the foreign exchange markets to fluctuate greatly without end. On 25 June, former Prime Minister Tsutomu Hata announced the resignation of his whole cabinet, causing an unstable political situation once again. At the end of June, as the dollar fell drastically and the yen set new records, the Hata administration studied countermeasures. But he announced the resignation of his cabinet before anything had been prepared. Japan's political instability makes it difficult for Japan to make resolute decisions on its trade talks with the United States in order to realize its promise to reduce the trade surplus. The difficulty of improving Japanese-U.S. trade conditions has encouraged speculation in the yen on the foreign exchange market, leading to the considerable fall of the dollar against the yen.

**3. The imbalance in the economic development of the United States and Japan causes the drastic revaluation of the yen.** The imbalance in the economic development of the United States and Japan makes it difficult to reverse the overwhelming might of the yen and to change this tendency in the near future.

Since the fourth quarter of last year, the U.S. economy has begun to grow. U.S. GDP rose by 3.4 percent in the first quarter of this year and by 3.5 percent in the second quarter. However, according to figures released by the U.S. Department of Commerce on 21 June, the United States's current account deficit reached \$31.9 billion in the first quarter of this year, the highest since the fourth quarter of 1988. A major reason for the serious current account deficit is the huge U.S. trade deficit with Japan.

Therefore, the United States is purposefully strengthening the competitiveness of its exports through the devaluation of the dollar. This has led to bullishness towards the yen in the foreign exchange markets and to large-scale selling of U.S. dollars around the world. For this reason, U.S. Treasury Secretary Lloyd Bentsen recently announced that he was disturbed by the fall of the dollar and was keeping a close watch on the matter. Alan Greenspan, chairman of the U.S. Federal Reserve, also said he could not be indifferent to great fluctuations in the value of the dollar. Now it seems that although joint intervention by the Western countries can slow the falling dollar, the fundamental problems cannot be resolved. In order to prevent the dollar falling further and the recurrence of inflation, analysts hold that it is inevitable for the United States to raise its domestic interest rates. But this is also something the U.S. Federal Reserve is rather hesitant about. It will not take such action unless it is very necessary.

Since the beginning of this year, there have been good signs in Japan's economy, investment in housing and utilities has gradually increased, and personal consumption has tended to improve. What people are worried about, however, is that the revaluation of the yen will probably halt the possibility of Japan's economic recovery. Japan's automobile and appliance industries, which are particularly export oriented, will suffer incalculable losses from exchange fluctuations. In order to avoid the impact of the yen's revaluation, more and more enterprises are quickly moving overseas, making the question of a "hollowing out" of Japanese industry increasingly serious. In order to stop the further revaluation of the yen, Japan's economic and financial circles plan to intervene and coordinate through financial and monetary organizations on the one hand, and ask the government to open markets, lower interest rates, and expand domestic demand on the other hand.

In addition to the above factors, some in the market maintain that signs of economic recovery in Europe and Japan have already caused their domestic interest rates to rise, causing international investors to sell large quantities of U.S. dollars. Speculation has helped the great fluctuations in the foreign exchange market. Therefore, easing the great financial fluctuations demands full coordination among the Western countries. People are now putting their hopes on the G-7 summit, while at the same time expecting an agreement similar to the Plaza Agreement, reached by the finance ministers of five Western countries in 1985, to curb the revaluation of the yen and the devaluation of the dollar. In the near future, the convocation of the G-7 summit and joint intervention by the United States and Japan are expected to take control of the turbulent foreign exchange markets. But if the question of the huge U.S. trade deficit is not resolved once and for all, the yen will rise irresistibly with the slightest stimulation.



## United States & Canada

### Zou Jiahua Receives Anna Chennault

OW0807122894 Beijing XINHUA in English 1105  
GMT 8 Jul 94

[Text] Beijing, July 8 (XINHUA)—Chinese Vice-Premier Zou Jiahua met here today with Anna Chennault, a noted American Chinese.

Chennault, who has close contact with China's educational and cultural sectors, arrived here today at the invitation of China's State Education Commission.

### Song Jian Meets With U.S. Visitors

OW1207104394 Beijing XINHUA in English 1003  
GMT 12 Jul 94

[Text] Beijing, July 12 (XINHUA)—Song Jian, State Councillor and minister of the State Science and Technology Commission, met here today with Chinese American Anna Chennault and Irving Kaufman, president of SAT Corp.

During their meeting in Zhongnanhai, Song and the U.S. visitors exchanged views on issues related to cooperation in science and technology and enhancing mutual understanding between the two countries.

### Zou Jiahua Meets With General Motors President

OW0807123094 Beijing XINHUA in English 1110  
GMT 8 Jul 94

[Text] Beijing, July 8 (XINHUA)—Chinese Vice-Premier Zou Jiahua met here today with John Smith, president of the General Motors company of the United States.

Smith and his group arrived here on Wednesday [6 July] at the invitation of the Chinese Ministry of Machine-Building Industry.

### U.S. Condemns Haiti's Expulsion of Observers

OW1107225594 Beijing XINHUA in English 2151  
GMT 11 Jul 94

[Text] Washington, July 11 (XINHUA)—The United States today condemned the illegal regime in Haiti for its expulsion of international observers from Haiti.

The expulsion "is certainly a serious escalation in the conflict between the regime and the international community," State Department spokeswoman Christine Shelly said at a news briefing.

Haiti's military leaders have given the civilian mission from the United Nations and the organization of American states 48 hours to get out of that country.

"Their cynical action is a clear indication that the human rights situation in Haiti is deteriorating even further," Shelly said.

"The latest defiance of the international opinion by the coup leaders in Port-au-Prince only ensures that the mistreatment of their own people is likely to receive even closer scrutiny in the near future," she added.

The spokeswoman refused to speculate on whether this prompted the United States to take military action against Haiti. [sentence as received]

### XINHUA Cites Lord on SRV Pledge on POW/MIA Issues

OW1107225694 Beijing XINHUA in English 2215  
GMT 11 Jul 94

[Text] Washington, July 11 (XINHUA)—A senior U.S. official who recently wound up his trip to Vietnam and Laos said here today the Vietnamese pledged very warmly their intent to continue cooperating on POW/MIA issues.

Assistant Secretary of State Winston Lord told reporters at a news briefing that the Vietnamese "listened carefully to our various proposals and said they would look to see how they would carry them." [sentence as received]

A U.S. presidential delegation, headed by Deputy Secretary for Veterans Affairs Hershel Gober, Lord and Deputy Assistant Secretary of Defense Jim Wald, recently visited Vietnam and Laos.

During the visit in Hanoi, they met many high-level Vietnamese officials including the Vietnamese party's general secretary, the minister of defense, the foreign minister and the deputy minister of interior as well as the head of the Vietnamese Veterans Association, according to Lord.

"In these meetings, the delegation stressed that further steps in relations between the two nations depend on additional tangible progress in POW/MIA issues," Lord said.

He noted both sides agreed to hold technical meetings to establish a detailed work plan.

And the Vietnam has agreed to "allow access to certain militarily sensitive areas," Lord added.

"They were receptive to our proposals to establish special review teams within individual ministries that would search for documents with potential relevance to POW/MIA cases," he said.

"The main purpose of our trip was further progress on POW/MIAs," Lord said, but "we also discussed some other bilateral issues."

Lord described their visit in Vietnam as "productive and positive," adding that "we will be looking for further progress in the coming weeks and months."

In Vientiane, the U.S. delegation discussed with Lao officials a wide range of bilateral and regional global issues as well as the MIA questions.

### **Salomon Brothers Opens First Representative Office**

*OW1107141694 Beijing XINHUA in English 1356 GMT 11 Jul 94*

[Text] Beijing, July 11 (XINHUA)—Salomon Brothers, one of the world's top investment banking giants, opened its first representative office here today.

The move is "very important" and demonstrates "our heightened commitment to the China market and to the Asia-Pacific region as a whole," said Deryck Maughan, chairman and chief executive officer of the American investment bank.

He said that he was optimistic about both short- and long-term prospects for China's economy.

Salomon Brothers China Limited, as the representative office is called, will focus its business on three major aspects in China, which include helping Chinese enterprises issue stocks and bonds abroad, providing strong support in project financing for China's infrastructure construction through overseas fund-raising activities and offering financial advisory services, according to chief representative of the Beijing office Chung Min Pang.

Currently, Salomon Brothers is preparing the initial public offering for a power project in north China, acting as its lead manager. It also acts as co-lead manager for two other Chinese enterprises to list overseas.

Since 1985, Salomon Brothers has assisted China in gaining access to the international capital market from its offices in Hong Kong and Tokyo.

In 1993, it participated in issuing one billion People's Republic of China global bonds and played the leading role in the "H" share offering of Maanshan Iron and Steel Company and a glass factory in Luoyang, in central China's Henan Province.

### **U.S. Telephone Company Holds Seminar in Shanghai**

*OW1107174994 Beijing XINHUA in English 1535 GMT 11 Jul 94*

[Text] Shanghai, July 11 (XINHUA)—AT&T [American Telephone and Telegraph] Bell Laboratories opened a seminar on advanced information technology in Shanghai today.

The lab will set up a branch office in China so as to help the country build the information superhighway, said Dr. John Mayo, president of AT&T Bell Labs, at the opening ceremony of the seminar.

Co-sponsored by China's State Planning Commission and AT&T China, Inc., the week-long seminar will be held respectively in Shanghai and Beijing.

Mayo said that Bell Lab scientists will discuss with their Chinese counterparts the future technology in telecommunications services and how the technology is to be used in China.

In his keynote address titled "Telecommunications Technology and Services in the Year 2010", he said, "Bell Labs will play a vital role in the development of China's telecommunications infrastructure by its support of AT&T China, and through the establishment of a Bell Labs research and development facility in China."

AT&T is a global telecommunications and computer company with total revenue of 67.1 billion dollars in 1993. It has nine joint ventures in China with three in Shanghai and the business of the ventures includes switching, transmission, and wireless systems, international long-distance services, networked computing systems, and multimedia products and services.

About 1,000 telecommunications and computer specialists from China attended the seminar which is to move to Beijing on Thursday.

### **First Sino-Foreign Public Relations Company Established**

*OW1107175394 Beijing XINHUA in English 1449 GMT 11 Jul 94*

[Text] Beijing July 11 (XINHUA)—The first Sino-foreign public relations (PR) company in China—the Fleishman-Hillard Scotchbrook Link Beijing—was opened here today.

The company, established by Beijing Link PR company attached to China International PR Association, Fleishman-Hillard Company of the United States, and Fleishman-Hillard Scotchbrook Asia, is aimed at providing consultative and public relations services to those foreign companies in China or willing to enter the Chinese market, as well as those Chinese companies to be listed on overseas markets.

Fleishman-Hillard Company is the largest independent PR company in the United States and one of the five largest PR companies in the world.

Fleishman-Hillard Scotchbrook Asia is the U.S. company's partner in Asia.

## **Central Eurasia**

### **Defense Minister Arrives in Moscow 11 Jul**

*OW1107195094 Beijing XINHUA in English 1937 GMT 11 Jul 94*

[Text] Moscow, July 11 (XINHUA)—Chinese Defense Minister Chi Haotian arrived here on Monday [11 July] evening for a five-day friendly visit to Russia.

In a written speech issued at Moscow's airport, the Chinese defense minister stressed that "we are ready to keep and develop the Chinese-Russian relations of good-neighborliness, friendship and mutually-beneficial cooperation."

Chi is scheduled to meet with his Russian counterpart Pavel Grachev on Tuesday. During the meeting, the two ministers are expected to sign an agreement "on preventing dangerous military activities" between the governments of China and Russia.

During the visit, Chi is also expected to pay visits to the Military Academy of the General Headquarters, a motorized infantry brigade and some places of interest in Moscow, St. Petersburg and the Black Sea city of Sochi.

#### **Defense Ministers Sign Border Accord**

*OW1207095794 Beijing XINHUA in English 0941 GMT 12 Jul 94*

[Text] Moscow, July 12 (XINHUA)—Visiting Chinese Defense Minister Chi Haotian and his Russian counterpart Pavel Grachev signed this morning an agreement on preventing dangerous military activities along the common border between their countries.

At the signing ceremony, Chi told reporters that the document is beneficial not only to China and Russia, but also to the Asia-Pacific region and the entire world as their common border is more than 4,000 kilometers long.

He said it is his wish that this border would be built into one of peace, friendship and common prosperity.

Grachev, in his turn, stressed that the agreement will contribute to the peace and stability of the whole Asia-Pacific region.

Before the signing ceremony, the two ministers held 70 minutes' talks in the building of the Russian Defense Ministry. No details were disclosed.

Chi, who arrived here Monday [11 July] evening for a five-day good-will visit to Russia, will meet Prime Minister Viktor Chernomyrdin this afternoon.

The Chinese minister's trip is seen as a return visit to Grachev, who went to China last July.

#### **Northeast Asia**

##### **Japanese Premier's ROK Visit Likely To Be Postponed**

*OW1007122794 Beijing XINHUA in English 0621 GMT 10 Jul 94*

[Text] Tokyo, July 10 (XINHUA)—Japanese Prime Minister Tomiichi Murayama will likely postpone his scheduled one-day visit to South Korea on July 16, Foreign Minister Kono said today.

During a Japan Broadcasting Corp. (NHK) TV program, concurrently Deputy Prime Minister Kono said that Tokyo will reconsider the schedule after Murayama returns home from Naples summit tomorrow because of changes in circumstances.

He cited the death of President Kim Il-song of the Democratic People's Republic of Korea and fatigue of Murayama as the reason for the possible postponement.

Meanwhile, Chief Cabinet Secretary Kono Igarashi, the government's top spokesman, told reporters today that Murayama's Seoul trip scheduled for July 16 is difficult because the state funeral of Kim is scheduled for July 17.

##### **Gu Mu Meets With Visiting Japanese Business Group**

*OW1107170294 Beijing XINHUA in English 1439 GMT 11 Jul 94*

[Text] Beijing, July 11 (XINHUA)—Gu Mu met here this evening with a Japanese investigation team headed by Haruna Kazuo, Chairman of the Board of Marubeni of Japan.

The group, organized by the Japanese Association for the Promotion of International Trade, will visit Beijing, Wuhan, Yichang and Shanghai to learn the overall plan of the Three Gorges Project and seek possibilities and means for bilateral cooperation in the huge project.

They came as the guests of the China Council for the Promotion of International Trade.

##### **Jiang Zemin, Others Offer Condolences at DPRK Embassy**

*OW1107140594 Beijing XINHUA Domestic Service in Chinese 0931 GMT 11 Jul 94*

[Text] Beijing, 11 Jul (XINHUA)—Jiang Zemin, general secretary of the CPC Central Committee, chairman of the Central Military Commission, and PRC president, went to the DPRK Embassy here this morning to express his profound condolences over the passing of Kim Il-song, the late general secretary of the Central Committee of the Workers Party of Korea [WPK] and DPRK president.

Jiang Zemin arrived at the embassy at 0925 A.M., along with several other leading comrades, including Liu Huaqing, member of the Standing Committee of the CPC Central Committee Political Bureau and vice chairman of the Central Military Commission, and Hu Jintao, another member of the Standing Committee of the CPC Central Committee Political Bureau. A portrait of President Kim was hung in the memorial hall. In front of the portrait were wreaths from Comrades Jiang Zemin, Deng Xiaoping, Li Peng, Chen Yun, Qiao Shi, Li Ruihuan, Peng Zhen, Zhu Rongji, Liu Huaqing, Hu Jintao, Qian Qichen, Yang Shangkun, Wan Li, Yao Yilin, Song Ping, Bo Yibo, and Song Renqiong.



Jiang Zemin and other leaders made three bows before the portrait of President Kim amid mournful music. Jiang wrote in the memorial book: "Eternal glory to President Kim Il-song."

Jiang Zemin said to DPRK Ambassador to China Chu Chang-chun: "We all grieve deeply after having heard of the passing of President Kim Il-song. I offer my most profound condolences and most sincere sympathy to the WPK Central Committee, the DPRK Government, and the Korean people. I believe that the Korean people will restrain from grief, rally closely around the WPK Central Committee headed by Comrade Kim Chong-il, and carry forward the glorious cause started by President Kim Il-song."

Ambassador Chu Chang-chun thanked Jiang Zemin and other Chinese leaders for their coming to offer their condolences. He said: The death of the Great Leader Kim Il-song is the greatest loss for the Korean people. The entire WPK, all the Korean people, and all commanders and fighters of the Army will rally closely around Comrade Kim Chong-il, turn grief into strength, and make the glorious cause started by President Kim Il-song even more glorious.

Those who went to the embassy to offer condolences today also included Qian Qichen, Chen Xitong, Zhang Zhen, Chi Haotian, and Luo Gan, as well as responsible persons of the central departments concerned: Zhang Wannian, Zeng Qinghong, Li Shuzheng, Wu Yi, and Tian Zengpei.

Wreaths were also sent by the CPC Central Committee, the National People's Congress Standing Committee, the State Council, the Central Military Commission, the Chinese People's Political Consultative Conference National Committee, the Foreign Ministry, the International Liaison Department of the CPC Central Committee, the Ministry of National Defense, the Ministry of Foreign Trade and Economic Cooperation, the Ministry of Culture, the State Physical Culture and Sports Commission, the Beijing Municipal Government, the All-China Federation of Trade Unions, the Central Committee of the Communist Youth League, the All-China Women's Federation, the Chinese People's Association for Friendship With Foreign Countries, and the China-Korea Friendship Association.

#### **PRC Envoy Offers Condolences in Pyongyang**

*OW1207081094 Beijing XINHUA Domestic Service in Chinese 1624 GMT 11 Jul 94*

[By reporter Ji Xinlong (1213 2450 7893)]

[Text] Pyongyang, 11 Jul (XINHUA)— Qiao Zonghuai, Chinese ambassador to the DPRK, and other Chinese Embassy personnel went to the Kumsusan Assembly Hall this evening to extend their most profound condolences over the passing of Kim Il-song.

The remains of President Kim Il-song were laid in state among flowers at the Kumsusan Assembly Hall. Amidst the deep low-volume funeral music, Ambassador Qiao Zonghuai and other Chinese Embassy personnel stood in silent tribute to the late president. Ambassador Qiao brought with him wreaths presented by Deng Xiaoping and Jiang Zemin to President Kim Il-song.

Kim Chong-il, O Chin-u, Kang Song-san, Yi Chong-ok, Pak Song-chol, Kim Yong-chu, Kim Yong-nam, and Choe Kwang were waiting on the side of the remains. Ambassador Qiao expressed sympathy to Kim Chong-il, who expressed thanks to Deng Xiaoping and the Chinese leaders for sending messages of condolences and wreaths.

Other foreign envoys stationed in Pyongyang also went to the Kumsusan Assembly Hall today to extend their condolences.

#### **Beijing Ceremony Marks Anniversary of Sino-DPRK Treaty**

*OW0807134594 Beijing XINHUA in English 1242 GMT 8 Jul 94*

[Text] Beijing, July 8 (XINHUA)—The 33th signing anniversary of the Sino-Korean treaty of friendship, cooperation and mutual assistance was marked at a reception here tonight.

Among those present was Cui Yueli, president of the China-Korea Friendship Association (CKFA), who was former minister of public health.

Proposing a toast, CKFA Vice-President Chen Haosu, who is also vice-president of the Chinese People's Association for Friendship With Foreign Countries (CPAFFC), described the signing of the treaty as "an event of historic significance."

He noted that the Chinese Communist Party and Government have all along supported the Korean party and government in their efforts to relax the situation in the Korean peninsula.

He concluded by pledging the CKFA and CPAFFC's fresh efforts to deepen the traditional friendship between the Chinese and Korean peoples.

In response, Korean Ambassador to China Chu Chang-chun said that his government will continue to work for the Korea-China friendship lasting from generation to generation.

#### **Kim Yong-sam Meets Visiting Chinese NPC Delegation**

*OW1007141894 Beijing XINHUA Domestic Service in Chinese 1551 GMT 7 Jul 94*

[By reporter Zhang Zhongyi (1728 1813 5030)]

[Text] Seoul, 7 Jul (XINHUA)—ROK President Kim Yong-sam met here today with Zhu Liang, visiting

chairman of the PRC-ROK friendship group of the National People's Congress [NPC] of China. The two had a cordial and friendly conversation.

Kim Yong-sam recalled with satisfaction his successful visit to China last March, and expressed the hope that the two countries will increase exchanges not only between their government departments but also between their parliaments so as to further promote bilateral relations.

Kim Yong-sam briefed Zhu Liang on the forthcoming inter-Korea summit. He said it is the first inter-Korea summit to be held in nearly half a century of the division of the Korean peninsula, and it is the focus of world attention and is of great significance.

Zhu Liang praised the rapid development of the PRC-ROK relations, said the NPC is willing to promote exchanges and cooperation with the ROK parliament at various levels. He wished the inter-Korea summit success.

Earlier, Zhu Liang met with Hwang Nak-chu, speaker of the ROK National Assembly, and Kim Chong-pil, a national assembly member from the ruling Democratic Liberal Party.

The delegation from the PRC-ROK friendship group of the NPC, headed by Zhu Liang, arrived here on 6 July on a visit at the invitation of the ROK parliament.

#### **Shandong Governor Visits ROK's Yi Yong-tok 9 Jul**

SK1007040794 Jinan Shandong People's Radio  
Network in Mandarin 2300 GMT 9 Jul 94

[Text] On 9 July Governor Zhao Zhihao and his entourage concluded their friendly visit to South Kyongsang Province in South Korea and paid a special call to South Korean Premier Yi Yong-tok at his residence. Attending the reception were Zhang Tingyan, PRC ambassador to South Korea, and Song Pyok-chu, international affairs adviser to South Kyongsang Province.

During the reception, Premier Yi Yong-tok welcomed the visit paid to South Korea by Governor Zhao Zhihao and the Shandong provincial delegation, congratulating them on their successful visit to South Kyongsang Province. In the friendly and cordial talks, Governor Zhao Zhihao briefed the Korean premier on Shandong's situation in economic and social development as well as on their achievements made in visiting South Kyongsang Province. Premier Yi Yong-tok expressed admiration for the achievements made by Shandong Province in its programs of development, reform, and opening up; he encouraged Shandong Province to better develop friendly cooperation with South Korea—and particularly with South Kyongsang Province—in the fields the economy, trade, science and technology, and culture. Governor Zhao Zhihao stated that Shandong Province will engage in mutual development, production, and

sales within Korean economic, trade, financial, and science and technology circles. He also stated that Shandong will carry out official, non-governmental, and friendly exchanges with Korea in multiple fields.

During his visit to Seoul, Governor Zhao Zhihao paid a separate visit to Choe Hyong-u, minister of home affairs; Kim Chul-su, minister of trade and industry; and Hong Sun-yong, vice minister of foreign affairs. He also met and visited such Korean economic communities as the Korea Trade Association, the Daehan Trade Promotion Corporation, and the Korea Land Development Corporation. He further led the provincial delegation in talks with such Korean business groups as Daewoo, Samsung, Hyundai, Ssangyong, Gold Star, First Korea Bank, and Long-Term Credit Bank on key projects for which both sides are showing concern and in which they are interested.

The visit by Governor Zhao Zhihao and his entourage has drawn great attention from both central and local Korean governments as well as from economic communities and large and medium-sized enterprises. All sincerely hope the friendly cooperation between Shandong Province and South Korea will be promoted to a new stage, with the turning point created by the visit of Governor Zhao Zhihao and his entourage.

#### **Mongolian Official Praises Chinese Friendship Accord**

OW1107144094 Beijing XINHUA Domestic Service  
in Chinese 0443 GMT 9 Jul 94

[By reporter Chang Wanlong (1603 8001 7127)]

[Text] Ulaanbaatar, 8 Jul (XINHUA)—Jambyn Gombojab, vice chairman of the Great People's Hural [GPH] of Mongolia, said here on 8 July that the "Treaty on Friendly Relations and Cooperation Between the People's Republic of China and Mongolia" newly endorsed by the GPH is an extremely important political document in the history of Mongolian-Chinese relations.

He made this remark when answering this reporter's question at a news conference in Ulaanbaatar.

Gombojab said: The signing of a treaty on friendly relations and cooperation by Mongolia and China has extremely important significance and undoubtedly will promote the continual forward development of the two countries' friendly relations and cooperation in the political, economic, cultural, and other fields, as well as the further expansion of exchanges and cooperation between various departments from the two countries.

Chinese State Council Premier Li Peng signed the "Treaty on Friendly Relations and Cooperation Between the People's Republic of China and Mongolia" with Mongolian Government Prime Minister Puntsagiyn Jasray during his official visit to Mongolia in late April.

**Near East & South Asia****Spokesman Says Algerian Foreign Minister To Visit 13-17 Jul***OW0807113294 Beijing XINHUA in English 1050  
GMT 8 Jul 94*

[Text] Beijing, July 8 (XINHUA)—At the invitation of Chinese Vice-Premier and Foreign Minister Qian Qichen, Mohamed Salah Dembri, minister of foreign affairs of the Democratic People's Republic of Algeria, will visit China from July 13 to 17.

This was announced by a Chinese Foreign Ministry spokesman here today.

**Islamabad-Urumqi Flights Start***OW1007135694 Beijing XINHUA in English 1040  
GMT 10 Jul 94*

[Text] Islamabad, July 10 (XINHUA)—The weekly flights formally started today between Islamabad, capital of Pakistan, and Urumqi, capital of Xinjiang Uygur Autonomous Region of China.

A Xinjiang airliner, TU-154, landed at the Islamabad International Airport this morning, carrying among others Feng Dazhen, vice-chairman of the Chinese People's Political Consultative Conference of Xinjiang region and Pakistani Ambassador to China Khalid Mahmud.

The Pakistan International Airlines (PIA) held an official ceremony for the inaugural flight at the airport.

Speaking at the ceremony, Umar Farooq, managing director of PIA, said the opening of the air route is "historic and momentous" since this journey which has been covered in a matter of hours and minutes today was once covered in years and months by the adventurers on the ancient Silk-Route.

"I am sure that this event will prove to be a harbinger of enhanced goodwill and friendship and will help in further cementing the bond between the neighborly nations", he said.

Feng Dazhen, speaking on the occasion, said the opening of Urumqi-Islamabad air route will certainly promote the political, economic and cultural development and exchanges between the two countries and the regions.

The Xinjiang Uygur Autonomous Region and Pakistan have similar custom, he said.

In recent years, the border trade has increased daily, providing a very good condition for developing air transportation, Feng added.

The TU-154 aircraft took about two hours and 30 minutes to cover the new air route, which is 1,731 kilometers in distance.

The Xinjiang Airlines operated a trial flight from Urumqi to Islamabad on May 26.

The airlines, equipped with large, middle and small types of aircraft, well-trained flight crew, complete maintenance technical group, has opened 45 domestic and international routes so far, largely promoting the opening of the vast, land-locked region to the outside world.

Pakistani Ambassador to China Mahmud said the new airlink would not only cement the existing bilateral ties between the two countries, but boost general cooperation between Pakistan, China and the Central Asian states.

The new air route has been opened under an agreement signed by the Xinjiang Airline and PIA in May.

PIA is also planning to start a weekly air service between Islamabad and Urumqi later this year, PIA sources said.

**Comparison to Qian Qichen Meets Indian Official**  
*OW0807034494*

Beijing XINHUA Domestic Service in Chinese at 1345 GMT on 7 July carries a report on Chinese Vice Premier Qian Qichen's meeting with Indian Foreign Secretary K. Srinivasan.

The XINHUA Chinese version has been compared to the English version entitled "Qian Qichen Receives Indian Official; Border Talks Open" published in the 8 July China DAILY REPORT on pages 9 and 10 and was found to contain the following variations:

Page nine, column two, before last paragraph, subslug reads: ...[By reporter Guo Qing (6753 1987)]... (providing subslug).

Page 10, column one, paragraph six, only sentence reads: ...ways to reduce short-distance [jin ju li 6602 6415 4418] military confrontation in... (changing "short-instance" to "short-distance," supplying vernacular and STC's).

Same page, same column, paragraph seven, only sentence reads: ...on relevant issues.

Vice Foreign Minister Tang Jiaxuan and Indian Ambassador to China Dasgupta were present at the meeting. ... (adding new paragraph)

**East Europe****Qian Qichen Holds Talks With Bulgarian Counterpart***OW1107135094 Beijing XINHUA in English 1326  
GMT 11 Jul 94*

[Text] Beijing, July 11 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen today held talks here with visiting Bulgarian Foreign Minister Stanislav Daskalov.



The two agreed to make concerted efforts to promote the growing friendly ties and cooperation between the two countries.

Qian said the Chinese Government attaches great importance to developing its long and stable relations with Bulgaria, adding that the Sino-Bulgarian friendship conforms to the fundamental interests of the two peoples and there are no obstacles for furthering such relations.

He said China wishes to expand its economic cooperation and trade with Bulgaria on the basis of equality and mutual benefit.

Qian noted that the volume of bilateral trade last year hit an all-time high, adding that it is his hope that such a good momentum will be maintained.

"We will conduct varied forms of mutually beneficial cooperation in accordance with the practice of international economic cooperation and trade and hope that the two governments will encourage and support direct cooperation between the enterprises, companies and local departments of the two countries," Qian said.

Daskalov said Bulgaria will focus its diplomatic work on joining the European mechanism. At the same time, it places great importance not only on expanding Bulgaria-China links, but also on the positive role that China is playing in international affairs.

Over the past few years, high-ranking officials of the two countries have exchanged visits frequently and the two countries have signed a number of agreements, thus laying a solid foundation for the growth of bilateral ties.

"We desire to continuously maintain the high-level contacts and hold political consultations at all levels including negotiations in the United Nations," he said.

"We also intend to conduct bilateral cooperation covering a wide range of areas such as economy, trade, science and technology," he added.

During the talks, Daskalov reaffirmed that Bulgaria only recognizes the Government of the People's Republic of China and Taiwan as a part of China's territory.

Bulgaria will not establish political relations with Taiwan, he stressed.

Qian expressed appreciation for this.

Qian said: "It is our consistent stand that differences and disputes should be settled through peaceful means. The borders shared by the former Yugoslavia and countries in the region cannot be changed.

"All countries' sovereignty and territorial integrity in this region should be respected and the rights and interests of minority nationalities in these countries also should be protected," he said.

"We support the international community's efforts beneficial to fairly, reasonably and peacefully solving crises, and are willing to contribute to them," Qian said.

Referring to the situation on the Korean peninsula, Qian said: "China stands for the realization of peace, stability and denuclearization on the Korean peninsula through peaceful negotiations. "We believe that Korea will continue to promote its peace process in accordance with the decisions and policies laid down by its late President Kim Il-song," Qian said.

Daskalov arrived here yesterday for an official visit to China as Qian's guest.

#### **Says DPRK To Continue 'Peace Process'**

OW1107130094 Beijing XINHUA Domestic Service  
in Chinese 0857 GMT 11 Jul 94

[By reporter Zhang Rongdian (1728 2837 0368)]

[Text] Beijing, 11 Jul (XINHUA)—Qian Qichen, vice premier and foreign minister, held talks with Bulgarian Foreign Minister Stanislav Daskalov in the Diaoyutai State Guesthouse this morning. The two foreign ministers pledged to work hard together to constantly develop the friendly relations and cooperation between the two countries.

Qian Qichen said: Traditional friendly and cooperative relations exist between China and Bulgaria, and in recent years, bilateral exchanges and cooperation have developed constantly in the political, economic, scientific and technological, and cultural fields. Qian Qichen pointed out: The Chinese Government attaches importance to developing long-term and stable friendly cooperative relations with Bulgaria. Sino-Bulgarian friendship conforms to the fundamental interests of both the Chinese and Bulgarian peoples. There is no hindrance to the development of bilateral relations.

Qian Qichen said: "China is willing to constantly strengthen bilateral economic cooperation and trade on the basis of equality and mutual benefit. The bilateral trade volume reached an all-time high in 1993, and we hope that the trend will continue. We stand for multi-level, multichannel, multiform, diversified, and mutually beneficial cooperation in accordance with international economic cooperation and trade practices. We hope that the governments of the two countries will encourage and support direct cooperation between enterprises of both countries and create favorable conditions for such cooperation."

Daskalov said that the emphasis of Bulgaria's foreign affairs is on joining the European mechanism while paying attention to developing Bulgarian-Chinese relations and attaching importance to the positive role played by China in international affairs.

Daskalov said: The exchange of frequent high-level visits between the two countries in recent years has promoted the development of bilateral relations. The two countries

have signed some agreements and thus laid a solid legal foundation for the further development of bilateral relations. He said: "We want to maintain the high-level exchanges and to take a further step in carrying out political consultations at various levels, including consultations between the two countries in the United Nations. We hope that the two countries will cooperate comprehensively in the economic, trade, and scientific and technological fields."

Daskalov reiterated that Bulgaria recognizes the Government of the People's Republic of China only and that because Taiwan is a part of China, Bulgaria does not maintain political relations with Taiwan. Qian Qichen expressed his appreciation for the reiteration.

After Daskalov briefed him on the situation on the Balkan peninsula, Qian Qichen said: "We hold that disputes and differences should be solved by peaceful means. The borders of the countries in the former Yugoslavian region should not be changed, and their sovereignty and territorial integrity should be respected. The interests and rights of the minority nationalities of these countries should be protected. We support efforts made by the international community to solve the crisis in a fair, reasonable, and peaceful way and are willing to make contributions to this."

On the Korean peninsula situation, Qian Qichen said: "China holds that the peace, stability, and denuclearization of the Korean peninsula should be realized through peaceful negotiations. We believe that the DPRK will continue the peace process [he ping jin cheng 0735 1627 6651 4453] in line with the late President Kim Il-song's policy decision."

Daskalov arrived in Beijing yesterday to begin an official visit to China at Qian Qichen's invitation.

#### **NPC's Buhe Meets Bulgarian Foreign Minister**

*OW1207075194 Beijing XINHUA in English 0637 GMT 12 Jul 94*

[Text] Beijing, July 12 (XINHUA)—Buhe, vice-chairman of the Standing Committee of the Chinese National People's Congress (NPC), met with visiting Bulgarian Foreign Minister Stanislav Daskalov here this morning.

Buhe said at the meeting that although there are great changes in the world as well as in the two countries, Sino-Bulgarian relations have witnessed steady growth.

He expressed the belief that Daskalov's visit will spur on the development of bilateral relations.

Noting the tumultuous situation in the Balkans, Buhe expressed appreciation of Bulgaria's stance of solving disputes through peaceful means and its policy of developing good-neighborly ties with all its neighbors.

Daskalov said both Bulgaria and China show a strong interest in developing their bilateral relations.

During the meeting the two sides also briefed each other on their countries' situations.

#### **Romanian President Welcomes Li Peng to Bucharest 11 Jul**

*OW1107161094 Beijing XINHUA in English 1524 GMT 11 Jul 94*

[Text] Bucharest, July 11 (XINHUA)—Romanian President Ion Iliescu held a grand ceremony here this afternoon to welcome Chinese Premier Li Peng, who arrived here this morning following his two-day visit to Romania's second largest city of Constanta.

Accompanied by the Romanian president, Li, braved the rain to review the guard of honor.

The Chinese premier is on the final leg of his three-nation European trip, which has taken him to Austria and Germany.

Following the ceremony, Li and the Romanian president started their talks on bilateral relations and other issues of common interests.

After the talks in the presidential palace, President Iliescu is expected to host a grand banquet in honor of the Chinese guests.

#### **Outlines Four-Point Policy**

*OW1207014994 Beijing XINHUA in English 0127 GMT 12 Jul 94*

[Text] Bucharest, July 11 (XINHUA)—Visiting Chinese Premier Li Peng said today China's friendly relations and cooperation with East European nations have been growing on a new basis in recent years.

He noted that there is no fundamental conflict of interests between China and East European countries and a further development of friendship and cooperation not only serves their own interests but also promotes peace, stability and development of their regions.

Li made the remarks in a speech at a banquet hosted by Romanian President Ion Iliescu in his honor, in which he announced a four-point policy of the Chinese Government toward East European countries.

Li said that China attaches great importance to developing its relations with East European countries.

He described China's basic policy toward East European countries as having the following four components:

—Respect for the choice of the people in these countries and non-interference in their internal affairs.

China believes that East European nations, just like other countries in the world, have the right to independently choose their social systems, concepts of values and road of development in line with their own national conditions, Li explained.

—Developing traditional friendship and pursuing peaceful co-existence.

The Chinese people have a profound friendly feeling toward East European peoples, Li said. China wishes to develop its friendship and cooperation with all countries in Eastern Europe on the basis of the five principles of peaceful co-existence.

China seeks no self-interests in this region, Li stated, and its relations with any East European nation is not directed against a third country.

No matter what changes will take place in the international situation, China's policy of friendship toward East European countries and peoples will never be changed, Li pledged.

—Promoting mutually-beneficial cooperation and seeking common development and prosperity.

China's trade and economic cooperation with East European countries has a sound tradition and basis, Li pointed out. The Chinese Government wishes to work with all East European countries in actively pushing forward cooperation between their enterprises and constantly enhance the quality and level of cooperation, the premier said.

—Supporting peaceful settlement of conflicts and promoting regional stability.

China sincerely hopes to see that peace and stability will be maintained, national independence, sovereignty and territorial integrity fully respected, disputes peacefully solved through consultations, and good neighborliness prevail in Eastern Europe, Li said.

#### **Views Bilateral Relations**

OW1207034394 Beijing XINHUA in English 0115  
GMT 12 Jul 94

[Text] Bucharest, July 11 (XINHUA)—Developing a long-standing and stable relationship of friendship and cooperation with Romania is China's steadfast policy, visiting Chinese Premier Li Peng said here today.

According to a press briefing, Li made these remarks during his talks this afternoon with Romanian President Ion Iliescu and Prime Minister Nicolae Vacaroiu.

The Chinese premier said during the talks that although drastic changes have taken place in recent years both in the international situation and in China and Romania, the two countries' friendly relations and cooperation have been maintained and developed in various fields.

Li said his current visit and the documents to be signed tomorrow are a manifestation of such a profound and healthy relationship between the two countries.

On trade and economic cooperation, Li said that thanks to the efforts of both sides, Sino-Romanian trade has been gradually recovering in recent years.

Last year, he added, their two-way trade reached nearly 500 million U.S. dollars, making Romania one of China's major trading partners in Eastern Europe.

Li noted that as economic systems in both countries have undergone great changes, companies and enterprises have become the principal performers in economic and trade activities, and market forces are playing a greater role in Sino-Romanian economic relations.

As a result, Li suggested, new ways should be explored to encourage exchanges between the economic and trade departments, enterprises and regions of the two countries.

Li emphasized that China is willing to cooperate with Romania in seeking a steady expansion of bilateral trade and economic ties on the basis of equality and mutual benefit.

Romanian President Iliescu told the Chinese premier that his country also cherishes its traditional friendship with China.

Iliescu said China has become Romania's second largest trading partner and there remains great potential for further expansion of bilateral economic and trade relations.

He expressed the hope that the two countries will develop closer and broader relations.

#### **Meets Romanian Parliament Leaders**

OW1207035294 Beijing XINHUA in English 0037  
GMT 12 Jul 94

[Text] Bucharest, July 11 (XINHUA)—Visiting Chinese Premier Li Peng said here this evening that exchanges between the Romanian parliament and China's National People's Congress would continue to play a positive role in promoting relations between the two countries.

Li made the remarks when meeting with Romanian Senate President Liviu Gherman and President of the Chamber of Deputies Adrian Nastase.

Expressing his appreciation of the efforts made by the two parliament leaders in promoting Sino-Romanian relations, Li said that China is pleased to see frequent contacts between leaders of the two countries' parliaments and the start of exchanges between their special committees.

Both the Romanian parliament leaders expressed the hope that exchanges between Romanian and Chinese parliaments would help further relations between the two countries, especially in trade and economic fields.



**Political & Social****Qiao Shi Inspects Hebei 8-11 Jul**

OW1207082294 Beijing XINHUA Domestic Service  
in Chinese 1029 GMT 11 Jul 94

[By HEBEI RIBAO reporter Zhao Ruiquan (6392 3843 2123) and XINHUA reporter Zhou Jizhong (0719 0679 0112)]

[Text] Shijiazhuang, 11 Jul (XINHUA)—In his recent inspection tour to Baoding, Hebei, Qiao Shi, member of the CPC Central Committee Political Bureau and chairman of the National People's Congress Standing Committee, stressed: We should proceed from the practical local conditions, pool potentials, give full play to our strong points, open diversified businesses, and develop in an all-around way to make efforts to promote agriculture and invigorate the rural economy.

From 8 to 10 July, accompanied by Cheng Weigao, secretary of the Hebei CPC Provincial Committee; Ye Liansong, governor; Lu Chuanzan, chairman of the provincial people's congress standing committee; and other comrades, Qiao Shi inspected Hebei's Baoding area and Baoding city. Qiao Shi visited factories and villages to keep abreast of the current situation of deepening reform, developing the economy, and the people's daily lives. He analyzed and studied problems in practical work with grass-roots cadres and the masses. He also heard work reports from the Hebei provincial party committee, government, and people's congress during his visit.

Qiao Shi said: Since Comrade Deng Xiaoping's important talks during his inspection tour of southern China and the convocation of the 14th CPC Congress, Hebei has made new progress in reform, opening up, and economic construction. Hebei has done a solid job in this field. This year, in agriculture, Hebei reaped good summer crops and the prospects for the autumn harvest are good; in industry, Hebei's production steadily increased and overall economic efficiency improved with each passing month. Hebei's prospects for comprehensive development are quite good. These achievements are brought about by the efforts of the masses of cadres and people. The present domestic and international situations are favorable and as long as we seize the opportunity, proceed from the local practical conditions, bravely forge ahead, and actively make progress, we can score better achievements in Hebei's various construction undertakings.

Qiao Shi was very pleased to see sturdy crops and prosperous rural villages along the roadside. He said: We must make efforts to promote agricultural development and invigorate the rural economy. China is a very large country with a very large population and it must protect and bring into play the farmers' initiatives, which is vital to maintaining sustained agricultural growth and prosperity and to the growth of the national economy on the whole.

Qiao Shi said: Hebei is located in a plain area, surrounds Beijing and Tianjin, and stands by the sea. It has a better agricultural foundation, favorable conditions, and great potential. We must integrate the idea of macroagriculture into our practical work. While ensuring the production of grain, cotton, and edible oil, we must further develop and utilize hillsides, mountain areas, and coastal areas and open diversified businesses and promote comprehensive development in those areas. Hebei's prospects for developing the crops, aquatics breeding, and animal husbandry sectors are excellent. The key is to rely on the application of scientific and technological achievements to upgrade production quality so as to meet market demands.

Qiao Shi pointed out: While paying attention to agricultural production, we must make efforts to develop village, town, and village-run enterprises. On this basis, we can gradually build small towns through scientific planning to make them the center of rural politics, economy, and culture as well as the center of service and entertainment to promote development in rural areas. After the establishment of small towns, conditions in rural areas and the peasants' living standards will be improved markedly and we will be able to make better use of surplus workers in rural areas. We can organize surplus rural workers in building highways, setting up irrigation facilities, and working on capital construction in rural areas. We must make full use of them.

When he saw the farmers' living conditions had improved, Qiao Shi was very happy. At the home of Li Peiji, a peasant living in Dabaichi Village, Lixian County, Qiao Shi cordially held this 71-year-old man's hands and engaged in small talk with him about his daily life. After Qiao Shi learned that this old man's living standards have been improved with each passing year since reform and opening up, his annual income reaching 10,000 yuan, and he built eight new houses in recent years, Qiao Shi nodded happily and said: We must uphold and continue to carry out a series of policies implemented by the party after the Third Plenary Session of the 11th CPC Central Committee to make more and more peasants become prosperous and finally reach the goal of common prosperity.

For the last few days, Qiao Shi also inspected some state-owned medium and large enterprises, such as the Diyi Plastic Sheet Plant of the China Lekai Plastic Sheet Company, the Baoding 604 Paper Mill, and the Huabei Automobile Manufacturing Factory. Qiao Shi pointed out: Leaders must attach great importance to and make in-depth studies in managing well state-owned medium and large enterprises. We must deepen reform, reinvigorate operational mechanisms, and guide enterprises toward the market. At the same time, we must pay equal attention to technological reform and help enterprises improve their levels and standards in terms of the equipment, skills, and products. Technological reform is a universal, long-term, and everlasting task. We must spare no effort in it. Even if we reach the current advanced standards, we can never be content and stop

making progress. Only by making unceasing efforts can we lay a solid foundation at home and abroad and capture more of a market share. Qiao Shi believed that as long as the structural and technological reforms in state-owned medium and large enterprises are successful, most will be quite profitable.

Qiao Shi said emphatically: The masses of party members and cadres must conscientiously do their job under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, conscientiously carry out the party's basic line, and adhere to the strategic principle of "grasping two links at the same time." Focused on the center of economic construction, we should strengthen the socialist democratic legal system and spiritual civilization construction to contribute to accelerating socialist modernization.

#### **'Crackdown' on Copyright Violations Continues**

OW1107142394 Beijing XINHUA in English 1401  
GMT 11 Jul 94

[Text] Beijing, July 11 (XINHUA)—A senior Chinese official confirmed that a crackdown on copyright violations and publications in excessively low taste is still continuing.

In the first half of this year, at least "several dozens of newspapers, periodicals and books, as well as several publishing houses" were confiscated or closed, said Yu Youxian, head of the State Press and Publication Administration, in an interview with XINHUA.

"Some of the litigants have gone against our publication regulations by selling publication licenses, leaking state secrets, spreading sexual or violent contents, or violating copyright rules," he said, adding that poor management or some other reasons have also contributed to publishers closing shop automatically.

China's publications and the media industry these years have experienced strong growth. Now the country has about 2,000 newspapers, 7,500 periodicals and 540 publishing houses, which turn out more than 90,000 books yearly. Yu said most of them have stable quality and sound taste, but some mediocre and vulgar works came into being owing to a lack of administrative methods and the stimulus of sudden huge profits in the market.

Yu said that in the first half of the year, a major achievement was a blow to copyright violators, for example, the producers of compact discs. And in the coming half-year, the crackdown on illegal publications will be intensified, with a group of excellent reading materials being recommended to readers by the government.

"Publications and the media ought to provide more and better spiritual food so as to create a stable environment for the reform and opening by fighting against unhealthy social tendencies," Yu said.

Publications and the media are eyed as a vehicle carrying both economic and moral significance here, with morality taking priority. Some prominent social figures maintained that more attention should be paid to moral construction while the economy grows so fast.

Yu said that despite the intensified control, the sector is generally prosperous and stepping into normal market competition.

"The national key publication plan is going smoothly, and the publications industry has a wide range of subjects to choose from. Besides, we are drafting a publications law and a press law to introduce self-discipline," he said, adding that exchanges with overseas publishers and media personnel are also being expanded.

#### **Minister Urges Efforts Against Diseases in Flood-Hit Areas**

OW1107132194 Beijing XINHUA in English 1309  
GMT 11 Jul 94

[Text] Beijing, July 11 (XINHUA)—Chen Minzhang, Chinese minister of public health, today urged localities to take measures against epidemic diseases in flood-stricken areas.

In a telephone conference, Chen said that in the next few months, some epidemic diseases including cholera and intestinal diseases might occur in flood-hit areas.

He noted that departments of public health at various levels should adopt effective measures toward the prevention and medical treatment of cholera, hepatitis and dysentery.

The departments must enhance supervision over and reporting on the tendencies of epidemic diseases, he added.

He called for protection of water resources and sterilization of drinking water, and enhanced supervision and management of foodstuffs so as to prevent food contamination.

Now the Ministry of Public Health has set up an office of disaster relief and prevention for epidemic diseases.

On the funds allocated by the ministry toward prevention of epidemic diseases, he said that they must be used to control epidemic diseases and purchase medicines and vaccines in the disaster-hit areas.

#### **Commentator Welcomes Newly Promulgated Labor Law**

HK1207012094 Beijing RENMIN RIBAO in  
Chinese 6 Jul 94 p 1

[Commentator's article: "Conscientiously Safeguard Laborers' Legitimate Rights and Interests"]

[Text] The "PRC Labor Law" has been deliberated and passed by the Eighth Session of the Eighth National

People's Congress Standing Committee and will officially go into effect on 1 January 1995. The promulgation of the "labor law" for implementation was a significant event in our people's social and political life. Leading party and government organs at all levels, as well as enterprises, non-profit institutions, and the broad mass of the people should study the "Labor Law" conscientiously and implement it firmly.

The party and government have always attached very great importance to protecting the legitimate rights and interests of laborers and have paid serious attention to the enactment of a labor law system. As early as 1978, Comrade Deng Xiaoping suggested that a labor law be drafted. In the decade or so following the reform and opening up, concerned departments carried out massive investigations and studies, deliberated on the feasibility, and successively produced a total of 30 or so "(draft) labor laws." Following the 14th party congress, and in line with the need to build a socialist market economy system, concerned departments deliberated at length and made a great number of revisions to the final draft. The promulgated "labor law" fully incorporates our experiences in labor system reforms mounted with the beginning of reform and opening up, and makes full reference to and has learned from world labor legislations. It is one that features Chinese characteristics and conforms with international conventions.

Labor relations have undergone tremendous changes and have become complicated and varied since the beginning of reform and opening up, and especially over the last few years, when state-owned enterprises increased the tempo of transforming their operational mechanisms and when economic ownership was diversified. There have appeared a great many new situations, problems, and contradictions calling for urgent solutions in accordance with the law. The implementation of the "labor law" is of great significance for the protection of laborers' legitimate rights and interests; for defining, maintaining, and developing stable and harmonious labor relations between hiring units and laborers; and for promoting reforms, developing the economy, and stabilizing society.

The "labor law" is a key integral part of the legal system for our country's socialist market economy system and a basic law for defending the legitimate rights and interests of laborers. In accordance with the Constitution, the "labor law" fully guarantees laborers the right to equal opportunity in employment, job selection, reward for labor, rest, leave, work safety and health care, vocational training, social security and welfare, and to submit labor disputes to arbitration. It lays down the obligation for laborers to fulfil their work, improve their vocational skills, carry out work safety and health regulations, and observe labor discipline and vocational ethics, and provides that hiring units fulfil various labor requirements in the areas of working time, rest, leave, work safety, health care, and protection for female and juvenile workers. To ensure that it is implemented, the "labor law" also contains express provisions on supervising and

inspecting the enforcement of relevant rules and regulations and on the scope of legal responsibility. These provisions provide important legal protections for laborers' legal rights and interests, and ensure that laborers fulfil their obligations. They also provide legal bases for hiring units to regulate their management and fulfil their duties according to law. The fundamental objectives of the "labor law" are to protect laborers' legitimate rights and interests and to define and maintain stable and harmonious relations between hiring units and laborers. Through enforcement of the "labor law," relations between hiring units and laborers will be regulated fully on the basis of law, the legitimate rights and interests of both sides will be protected, and guidelines will be furnished for handling disputes and contentions between the two sides.

Party and government leaders at all levels should see the enforcement of the "labor law" as part of the ongoing effort to realize the spirit of the 14th party congress and Third Plenary Session of the 14th CPC Central Committee and to pursue it with a view to furthering the basic policy of "seizing opportunities, deepening reforms, expanding opening up, promoting development, and maintaining stability." They should take the lead in conscientiously studying and correctly appreciating the basic contents and all the provisions of the "labor law," and should actively organize departments and units to study and propagate the law with the objective of helping all enterprise workers and laborers to understand, grasp, and correctly implement the "labor law." The "labor law" is the "spearhead" of the entire labor law system. In implementing it, localities should pay attention to their own conditions; increase the pace of perfecting rules, regulations, and provisions concerning labor work; and slowly install a labor law system in line with the socialist market economy system. Local governments at all levels should discharge their responsibilities strictly in accordance with the "labor law." As organs monitoring and supervising the enforcement of the "labor law," labor administrations at all levels, as their duties require, should monitor and supervise hiring units in observing and enforcing labor laws. Other concerned departments and trade unions at all levels should actively defend laborers' legitimate rights and interests, and play their supervisory roles. Any unit or individual has the right to report and sue for violations of labor laws and regulations. Through massive administrative supervision and popular monitoring, the "labor law" will be genuinely enforced and observed.

#### **Unified Water-Tapping Permits Implemented 1 Jul**

*OW1207060194 Beijing XINHUA Domestic Service in Chinese 0734 GMT 30 Jun 94*

[Text] Beijing, 30 Jun (XINHUA)—The Ministry of Water Resources recently issued an "announcement" that the "Water-Tapping Permits of the People's Republic of China," which are unified across the



country, will officially take effect on 1 July and all water-tapping permits originally printed and issued by local and other departments will be abolished beginning 1 January 1995.

According to the "Water Law of the People's Republic of China" and the "Rules for the Implementation of the Water-Tapping Permit System," all units and individuals, except for a small number of those who do not need or are allowed not to apply for water-tapping, must make application with administrative departments in charge of water resources under the people's governments at and above the county level for tapping water from rivers, lakes, or underground sources. They may tap water after obtaining the "Water-Tapping Permits of the People's Republic of China" with the approval of the departments in charge.

#### **More Aid Urged for Developing Nations' Environment Problems**

HK1207071894 Beijing CHINA DAILY in English  
12 Jul 94 p 1

[By He Jun: "More Aid Sought for Green Development"]

[Text] Chinese State Councillor Song Jian called on developed countries to provide "new and additional" funds to help developing nations address developmental and environmental problems.

Song made the remarks at the closing session of the high-level international round-table conference on China's Agenda 21 over the weekend in Beijing.

Song, also Minister in charge of the State Science and Technology Commission, urged the industrialized world to organize and mobilize more financial resources and to create new mechanisms to help developing countries, including China, get onto the path of sustainable development.

Agenda 21, a policy guideline for the country's overall development in the 21st century, was drafted soon after the United Nations Conference on Development and Environment (UNCED) was held in 1992 in Brazil.

At that conference, the Western countries promised to provide more funds and assistance.

Song reaffirmed that it is China's fundamental policy to achieve fast economic growth with a clean environment.

He stressed that the country welcomes foreign enterprises to join its efforts to seek "green" development.

It hopes to introduce more funds and environmentally sound technology to help establish an environmental protection industry.

"I can safely assure ... that the international community stands ready to support China in its pioneering initiative," said James Speth, Administrator of the UN Development Programme (UNDP).

Song told a press conference later that foreign participants reached preliminary agreements or intents with the Chinese side to co-operate in about 40 out of the 62 priority projects on Agenda 21.

These projects cover the areas of clean energy, pollution control, environmental protection legislation, poverty alleviation and sustainable agriculture.

China plans to carry out the 62 projects in about a decade, which will cost some \$4 billion in total.

He estimated that between 60 and 70 per cent of the funds needed will come from the government or banks. He called for international aid to make up the remainder.

While praising China's efforts in realizing its commitment made on UNCED, Speth said that the task ahead for China is very difficult as there is so far no successful model to copy.

#### **Report Says Citizens' Legal Protection Increasing**

OW1207094894 Beijing XINHUA in English 0755  
GMT 12 Jul 94

[Text] Beijing, July 12 (XINHUA)—Not long ago, a farmer living on the outskirts of Tianjin went to court to sue the director of the local industry and commerce department for delaying the examination of his application for a business licence.

After a scrutiny into the case, the court ruled that the department was guilty of infringement of the farmer's legitimate rights.

Today in China, more and more common people like the farmer resort to law to protect their legitimate rights and interests.

Since the Administrative Procedure Law came into force in October 1990 nearly all the courts in China have set up administrative judicial organs specially to handle suits from ordinary people against officials or governments.

And a total of more than 70,000 such cases have been dealt with, involving administrative organs and their officials in public security, industry and commerce, customs, public health and real estate.

About 37 percent of the relevant lawsuits were won by citizens, legal persons and other organizations. A considerable number of the charges were settled out of court.

The law, containing 11 chapters and 75 articles, was formulated in line with China's Constitution to ensure prompt and correct handling of administrative cases by the people's courts, protect the lawful rights and interests

of citizens, legal persons and organizations, and safeguard and supervise the exercise of administrative power by administrative organs, in accordance with the law.

Xu Datong, a leading Chinese jurist, said that it is because of the enforcement of this law that the government and the people have, for the first time, been placed on the basis of the law.

This indicates that China pays close attention to the problems of human rights, and great efforts have been made to restrict the powers of the administrative organs.

But, Xu said, the Administrative Procedure Law is only one of the laws that China has enacted since the late 1980s.

Other laws include the Election Law, the General Principles of the Civil Code, Civil Procedure Law, Law on Copyright, Law for Protecting Consumers' Rights and Interests, Law To Guarantee the Healthy Growth of Minors, Law To Protect Women's Rights and Interests, Law for Protecting the Disabled, and Criminal Law.

There are large numbers of regulations and rules to protect common people's rights and interests.

With all these laws and regulations, a legal framework for protecting the rights and interests of common people has now taken shape.

Xu pointed out that legislation has grown at an unprecedented speed over the past 15 years, while Western developed countries spent more than 300 years to establish a relatively complete system of legislation.

Xu said that in the past China was an agricultural country with a long history of feudal rule, in which a patriarchal clan system played a dominant role in every field of social life.

The Constitution was drawn up in 1953 soon after New China was founded, to guarantee citizens' lawful rights and interests. But, under the mechanisms of the planned economy, the regulation of social relations had to rely mainly on administrative means. Laws were not complete, nor did citizens become fully aware of the importance of protecting themselves by using the law.

Xu pointed out that in China it is not sufficient only to institute laws. Spreading legal education is also urgently needed, he said.

Starting in 1985 the central government launched two five-year programs to spread basic knowledge of the laws in an effort to have more common people understand their legal rights.

Today, "going to court" is seen as a normal way to get justice, rather than a shameful thing. More and more people are turning to lawyers, instead of going to administrative departments in charge of petitions.

Also, the number of the civil and economic cases handled by the courts over the past few years has increased

by a big margin and some new cases have emerged in recent years, such as cases concerning infringements of portrait rights and reputation rights.

Yu Shiping, a high-ranking judge, said there has been a big rise in civil cases in China. In Tianjin, a north China port city, more than 23,000 cases were brought to trial in 1993.

This shows that the legal coverage of people's rights and interests is expanding and law is playing an increasingly important role in the country's social life.

In 1993 some 820 law offices were set up in China, and more than 20,000 people began to practice law, making the country's total number of lawyers top 70,000.

Sociologists believe that with the establishment of a socialist market economy, China's legal system will be further strengthened and laws will be taken as criteria to measure all social relations and social actions.

## Science & Technology

### Export Bank To Finance Satellite Launch

HK0907060894 *Beijing CHINA DAILY in English*  
9 Jul 94 p 2

[By Wang Yong: "Satellite Deal Kicks Off Export Campaign"]

[Text] The Export and Import Bank of China yesterday signed a contract to extend 300 million yuan (\$34.5 million) in export credit to finance the launch of a commercial satellite.

The China Great Wall Industry Corporation will use the loan to launch one of the three satellites it plans for the coming year.

The agreement signifies the bank's determination to energize exports of China's technology-intensive products.

The agreement marked the first export credit arranged by the bank, which started formal operations on July 1.

In the next two years, it will focus on aerospace, aviation, shipbuilding, energy, petrochemicals, metallurgy, building materials and chemicals, said Tong Zhiguang, the bank's chairman of the board, at the signing ceremony in Beijing.

The Great Wall Corporation is a well-known international aerospace firm, the type of company the new bank will focus on for its loans.

But Great Wall declined to reveal which satellite will benefit from the loan.

Loans provided by the export-import bank are usually of long- and medium-term with preferential interest rates.

The State Council approved setting up the bank on April 26 to finance the country's export drive.

The bank opened at a time when China is determined to sustain long-term export growth. Machinery and electronic products account for only one-fourth of the country's total exports.

But the proportion is well over 70 per cent in developed nations.

Experts warn China's export momentum will falter unless hi-tech products take the lead. Currently, labour-intensive products are the majority of exports.

But raw materials and textile costs have soared in China in recent years.

China registered a \$12.2 billion trade deficit last year, partly because of higher export costs.

The deficit was \$1.79 billion in the first five months of this year, down from last year.

#### Smaller Deficit

Experts now predict a smaller deficit this year.

Tong's bank has planned to extend loans to help export training aircraft to Pakistan and a freight ship to Norway this year.

The bank's loan scale for this year will range from 2 billion yuan (\$229 million) to 3 billion yuan (\$345 million).

Tong acknowledged that might not be enough to produce a big lift to exports, but it could nevertheless help the structure of exports.

#### Telecom Firms Cooperate To Break Foreign 'Stranglehold'

HK1107043894 Beijing CHINA DAILY  
(BUSINESS WEEKLY) in English 10-16 Jul 94 p 1

[By Pei Jianfeng: "Eight Firms Aim to Snare Cellular Sales"]

[Text] Eight Chinese telecom manufacturers are joining forces to try to break the stranglehold foreign companies have over China's burgeoning market for cellular phones and pagers.

U.S.-based Motorola Inc and Ericsson Telecom AB now dominate the market.

In an effort to break into the market, the eight Chinese producers, under the auspices of the Ministry of the Electronics Industry, will jointly set up a share holding company to be called the Jinfeng Telecommunications Co.

Officials hope Jinfeng, which is scheduled to be launched next month, will grow into a large enterprise manufacturing and selling pagers, cellular phones, second-generation cordless telephones, digital trunk switching systems and satellite telecommunications equipment.

The total revenue of Jinfeng is expected to exceed 10 billion yuan (\$1.15 billion) by the year 2000, said Guo Youlu, a senior official from the ministry. Guo is in charge of the programme.

Jinfeng aims to capture a large share of the domestic market and become a large supplier of mobile telecommunications equipment worldwide, he added.

China's mobile telecommunications network is now the third-largest in the world, measured in terms of the number of pager and mobile phone users it has. Only the United States and Japan are larger.

By the end of this year, China will have 1.2 million cellular phone owners and 10 million pager users, experts estimate.

It is predicted that by the year 2000, China will have 10 million cellular phone owners and 30 million people with pagers.

Currently, China's market for switching equipment is dominated by Ericsson, with Motorola as the leader for telecommunications hardware.

Guo said China faces an urgent need to develop its own mobile telecommunication industry to compete effectively with foreign companies.

Enterprises that will be part of Jinfeng include the Changhong Electronics Co, the Changling Electronics Co, the Beijing Huaxun Telecommunication Corp and the Beijing Catch Telecommunications Corp.

The headquarters of Jinfeng and its development and marketing departments will be located in Beijing, while its manufacturing bases will be scattered: Sichuan, Shaanxi, Hubei, and Hebei provinces and Beijing municipality will all be home to manufacturing operations.

Guo said that Jinfeng will introduce foreign funds and advanced technology to develop and produce various mobile telecommunications products.

#### Military

#### U.S. Admiral Larson Arrives, Begins Visit

##### Discusses Ties With Xu Huizi

OW0607132594 Beijing XINHUA in English 1301  
GMT 6 Jul 94

[Text] Beijing, July 6 (XINHUA)—Admiral C.R. Larson, commander-in-chief of the Pacific Command of the U.S. armed forces, arrived here today on a three-day official visit to China.



Larson is here as guest of the General Staff of the Chinese People's Liberation Army (PLA). He is the highest ranking officer of the U.S. armed forces to visit China since the militaries of the two countries resumed exchanges last November.

This afternoon, General Xu Huizi, deputy chief of the PLA General Staff, met with Larson and exchanged views with him on relations between the two armed forces and on other issues of common concern.

Stapleton Roy, U.S. ambassador to China, took part in the meeting.

After that, Xu hosted a banquet for Larson.

#### **Received by Chi Haotian**

*OW0707120694 Beijing XINHUA in English 1154 GMT 7 Jul 94*

[Text] Beijing, July 7 (XINHUA)—Chi Haotian, State Councillor and defense minister, met with Admiral C.R. Larson, commander-in-chief of the Pacific Command of the U.S. armed forces, here this evening.

They exchanged views on the relations between the armed forces of the two countries and other issues.

General Xu Huizi, deputy chief of General Staff of the Chinese People's Liberation Army, and U.S. Ambassador to China Stapleton Roy took part in the meeting.

After that, Chi hosted a dinner for Larson.

#### **Yu Yongbo Views Army Spiritual Civilization Work**

*OW1207061694 Beijing XINHUA Domestic Service in Chinese 1248 GMT 30 Jun 94*

[By reporter Sun Maoqing (1327 5399 1987)]

[Text] Beijing, 30 Jun (XINHUA)—Speaking today at the Air Force work conference on the development of spiritual civilization, Yu Yongbo, member of the Central Military Commission [CMC] and director of the General Political Department, noted: In the new historical era, all troops in the Army should continue to vigorously promote the development of socialist spiritual civilization and strengthen their combat effectiveness in light of the requirements of the CPC Central Committee and the CMC to make new contributions to maintaining the overall situation characterized by reform, development, and stability in the country.

Yu Yongbo said: Over the past years, all troops in the Army have made new achievements and progress in vigorously promoting the development of socialist spiritual civilization according to the requirements of the CPC Central Committee and the CMC. Various units in the Army have become all the more keen on studying theories, with the theory of building socialism with Chinese characteristics as the major content, and have constantly deepened their education in views of life and

values and extensively launched activities to publicize and emulate heroic models such as Lei Feng, Su Ning, and Xu Honggang. In publicizing the main theme, literary and artistic creation, journalism, and publication have further flourished. The study and education in science and culture, particularly in modern scientific knowledge, have been conducted in an extensive and down-to-earth manner. All of these have played a very important role in strengthening the troops' political beliefs; improving cadres and soldiers' ideological, moral, scientific, and cultural awareness; and encouraging revolutionary spirit; and have provided a powerful support in the form of spiritual forces as well as intelligence, to the promotion of the modernization drive in the Army and the increase in their fighting capability.

Yu Yongbo noted: In the new historical era, the People's Liberation Army is shouldering the sacred mission of safeguarding the state's security and offering a powerful security guarantee to reform, opening up, and the socialist modernization drive. The results of the development of spiritual civilization concern the healthy growth of cadres and soldiers, the image of the people's Army, and the Army's performance in fulfilling its basic functions. Only by vigorously intensifying the spiritual civilization construction in the Army can we guarantee that our troops will stand the tests of all kinds of complicated situations, firmly subject themselves to the command of the CPC Central Committee and the CMC with Comrade Jiang Zemin as the nucleus at any time and under any circumstances, and successfully fulfill all tasks entrusted by the party and the people.

Yu Yongbo stresses: To intensify the all-Army spiritual civilization construction, it is necessary to make the training of revolutionary soldiers who have high ideals, moral integrity, a better education, and a strong sense of discipline, our goal; start from the basic work; and carry them out to the letter. The fundamental way to satisfactorily carry out the basic work lies in arming the minds of cadres and soldiers with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. Presently, we should continue to make greater efforts to study Volume 3 of the *Selected Works of Deng Xiaoping* and study it for the purpose of application, so as to integrate theory with practice. Meanwhile, we should firmly focus on the building up of correct views on life and values in helping cadres and soldiers understand the basic principles for conducting themselves and define the basic moral quality and code of conduct that a revolutionary soldier should acquire, so that they will precisely know the difference between right and wrong, nobility and low taste, and beauty and ugliness, and strive to become a revolutionary soldier having high ideals, moral integrity, a better education, and a strong sense of discipline.

Yu Yongbo said: Leading cadres and organs' role in acting as an example is very important to strengthening the spiritual civilization construction in the Army. Leaders and organs at all levels should take the lead in studying and practicing Comrade Deng Xiaoping's

theory of building socialism with Chinese characteristics in a satisfactory way, strengthening their political belief, working selflessly for the public interest, observing clean standards and self-discipline, erecting a good image among the troops, guarding against and resisting the corrosive influence of decadent ideology and lifestyle, displaying the party's fine tradition of hard struggles, learning modern scientific knowledge, and constantly increasing their knowledge in various fields. They should set an example and motivate and promote the development of spiritual civilization in the Army, so that our Army will truly become an army of civilization and power that the party and people can rely on.

#### **Central Military Commission Honors Radar Team**

*OW1007002194 Beijing XINHUA in English 1535 GMT 9 Jul 94*

[Text] Beijing, July 9 (XINHUA)—A ceremony was held here today to confer the title of "Hero of Kamba La" on an Air Force radar station team by the Central Military Commission.

The order of the Central Military Commission calls on the military forces learning from the radar station team and accelerating the pace of modernization.

The team, stationed at the Kamba La Pass in the Tibet Autonomous Region, has provided safe radar guidance for more than 22,000 flights by civil aircraft and special planes from both at home and abroad.

#### **PLA Completes Study of 'Vegetable Basket Project'**

*OW1107024294 Beijing XINHUA Domestic Service in Chinese 1351 GMT 8 Jul 94*

[By reporter Zhang Dongbo (1728 2639 3134) ]

[Text] Beijing, 8 Jul (XINHUA)—To further promote the "vegetable basket project" and enrich officers and men's "dishes," the General Staff Department, General Political Department, and General Logistics Department of the People's Liberation Army (PLA) formed a joint investigation and study team to go deep into frontier stations, islands, grass-roots companies, and farms to conduct large-scale investigation and study of the situation of the production of farm and sideline products in the Army.

The just-concluded investigation and study campaign, organized and carried out in light of the leadership and guidance of the Central Military Commission [CMC], was another important measure taken by the CMC to show its concern for the troops' "vegetable basket project" under the new situation. Since early March the joint investigation and study team of the three general departments has travelled over 65,000 km and completed its inspection, investigation, and study of 110 military farms, 161 regiment (brigade)-run non-staple food production bases, 189 production service centers,

and 329 organic companies. The investigation and study will offer reliable information to the CMC in making new decisions and promoting all-Army farm and sideline production to a new level.

Through the Army's "vegetable basket project" in the new era, military farm and sideline production has developed rapidly over the past years and has preliminarily developed an integrated life support structure, with farms as the backbone, nonstaple food production centers and life service centers as the central links, and part-time production by troops as the foundation. Presently, the Army runs nearly 600 farms and over 2,800 nonstaple food production bases and life service centers. Over 150 farms have profits of over 1 million yuan. All-Army, mass, part-time production—mainly hog raising and vegetable planting—has flourished. In northern China, troops generally engage in winter planting and greatly increase their supply of meat and vegetables by themselves in off seasons. In southern China, troops take advantage of the natural environment to construct more vegetable gardens, develop a "camp economy," and thus create a large number of meat and vegetable self-supplied units. Military-run farms turned over 210 million yuan in profits to their higher authorities in 1993 alone, supplementing the insufficient boarding allowances for officers and men. According to a survey of 329 companies, they supply themselves with over 68 percent of their meat and vegetables.

This campaign was characterized by the integration of propaganda, investigation, and study. Having conducted in-depth, on-the-spot inspections, and having heard briefings, audited accounts, and dined with officers and men of grass-roots units, the joint investigation and study team held a total of 44 forums with the participation of logistical leaders from larger units, cadres of organs and troops, and production backbones to sort out the major problems that limit the Army's farm and sideline production and influence troops' production, made a systematic summing-up, and vigorously looked for countermeasures. In light of actual conditions in different areas and troops, various sub-teams for investigation and study have also summed up and worked out 41 special plans for developing intensive and scale production, improving land management and use, strengthening the construction of "bases" and "centers," tightening financial control, correctly keeping cost accounting, and other areas, which have offered some ideas and experiences for boosting all-Army farm and sideline production to a new level.

#### **Military Book Banned for Ignoring Military Taboo**

*HK1107083594 Hong Kong LIEN HO PAO in Chinese 20 Jun 94 p 8*

[By reporter Chang Sheng-tai (1728 5110 1486): "The Book *Can Chinese Troops Win the Next War?* Banned for Touching on Military Taboo"]

[Text] A source from the mainland said: The book *Can Chinese Troops Win the Next War?* is not of an academic nature. It was banned by the mainland authorities because they prohibit the publication by the bookshops of books on the mainland military.

The book *Can Chinese Troops Win the Next War?*, which was published in June last year, was crudely printed. Superficially, the thin, 76-page book looked like a magazine of figures and social trends, and could be bought with 2.98 yuan per copy at small book stalls. They could be bought easily at the small street book stalls everywhere in Beijing. The book was jokingly dubbed the mainland's *Nongovernmental Defense White Paper*. Nevertheless, the source pointed out: Not placing a high evaluation on the book, the academicians said that with its pictures blurred and its contents tainted with many errors, the book could be used only as a reference and could not be considered to have any academic value. They were unwilling to make more comments on the U.S. assertion that the book had high credibility.

According to the source, books discussing topics concerning diplomatic and military strategies are the mainland authorities' two major taboos. Without government permission, it is completely impossible to publish such books. Even if they can be published secretly, as in the case of the book *Can Chinese Troops Win the Next War?*, they will be banned eventually. Military books introducing new military science and technology in various countries in the world can be published openly. Some of them carry news about the mainland military. Books of this kind sell quite well in Beijing.

#### Armed Police Strengthen Grass-Roots Units

OW1207043894 Beijing XINHUA Domestic Service  
in Chinese 0611 GMT 30 Jun 94

[By reporter Li Xunzhou (2621 6064 5297)]

[Text] Beijing, 30 Jun (XINHUA)—The armed police force units have implemented the "Program on Building the Army's Grass-Roots Units" promulgated again by the Central Military Commission [CMC], strengthened the building of their grass-roots units, and fulfilled the task of maintaining social stability in an all-round way. At an armed police force work conference on building the grass-roots units held recently, delegates from seven armed police corps and detachments gave briefings on their working experiences.

In their speeches, Commander Ba Zhongtan and Political Commissar Zhang Shutian of the headquarters of the Chinese People's Armed Police Force fully affirmed the experiences and successes achieved by armed police force units in building the grass-roots units since their implementation of the new "program," pointed out the existing problems, and expressed their views on how to further implement the "program" and strengthen the building of the grass-roots units in an all-round way. They stressed: Party committees and leaders at all levels of the armed police force units must conscientiously

focus their work on building the grass-roots units in the spirit of taking a high degree of responsibility for building armed police force units; standardize and guide the building of the grass-roots units in accordance with the overall requirements—"Units are required to have political qualifications, a perfect mastery of military skills, an excellent work style, high discipline, and effective logistical support"—raised by CMC Chairman Jiang Zemin; implement various tasks in a down-to-earth manner; endeavor to promote the building of armed police force units to a new level; and make new contributions to safeguarding national security and social stability.

While briefing participants on their experiences in strengthening the building of the grass-roots party branches and carrying out the "program," representatives of the Shanxi Provincial Armed Police Corps said: One special feature of our experiences is that we have established an image of "party representatives" to improve party branch secretaries' quality. The Shanxi Provincial Armed Police Corps paid particular attention to selecting good cadres, allocating capable cadres, training more cadres, and strictly supervising cadres. At present, nearly one-third of the grass-roots party branch secretaries have undergone directive training and 85 percent of them are proficient in their professional work, thus keeping in line with the demands set for grass-roots party branch secretaries.

How to lead troops well in the new period? It was an acute problem encountered by the armed police force while implementing the "program." The party committee of the 7th Detachment of the Shanghai Armed Police Corps strengthened grass-roots cadres' sense of profession and responsibility with powerful ideological education. Moreover, party organs helped grass-roots cadres solve problems and difficulties. They concerned themselves with grass-roots cadres and awarded them for leading troops well. Party organs used 230,000 yuan, a part of the profits accumulated from productions, to set up a relief and awarding fund. Since this year they have awarded 17 competent cadres whose family members are out of work and who suffered from economic difficulties. At present, most grass-roots cadres of the detachment work contentedly with the troops and take delight in leading the troops.

Party committees of the Inner Mongolia Armed Police Corps attached great importance to grass-roots logistical construction. In recent years, they invested more than 25 million yuan in strengthening grass-roots logistical construction. For troops stationed in cold areas, the party committees built especially large plastic tents for grass-roots squadrons to grow and store fresh vegetables in winter and enabled more than 70 percent of grass-roots squadrons to enjoy fresh vegetables in winter. Representatives briefed participants on their experiences in scientifically planning for and doing a solid job in strengthening grass-roots logistical construction. The Henan Armed Police Corps gave a briefing on their experiences in alleviating the burden of grass-roots units by solving



the problem of assigning armed police officers to run unreasonable public errands, which hampers the overall building of the grass-roots units.

### **Economic & Agricultural**

#### **Li Peng's Entourage Shows Importance of European Trip**

HK1207023194 Beijing RENMIN RIBAO in Chinese 9 Jul 94 p 6

[Article from the "International Forum" column by Huang Qing (7806 2532) and Hua Xin (5478 2450): "Economy Has Become Point of Emphasis"]

[Text] Accompanying Premier Li Peng during his current visit to three European countries are some 30 Chinese entrepreneurs who represent China's large enterprises. The size of such an economic delegation accompanying a Chinese premier on a visit to any foreign country is unprecedented to the authors' knowledge.

During the visit, Premier Li Peng conducted extensive contacts with foreign entrepreneurs. Answering questions from German economic circles, Premier Li Peng made a witty remark, saying that he was willing to be a salesman of Chinese goods. German public opinion believes that Premier Li Peng's visit is tinted with a very strong economic color, which shows that China attaches great importance to developing trade and economic relations with European countries. The Chinese Foreign Ministry spokesman's statement: "Economy has become the point of emphasis in the wake of the Cold War," was cited extensively in local press. The fruitful results of the visit are eye-catching. In Austria, the two sides signed contracts exceeding \$1 billion; in Germany, the contracts and letters of intent signed in three days involved a sum of \$3.5 billion.

In the wake of the Cold War, economic relations have become prominent in international relations. Corresponding to this, all countries set great store by the economy, and so does China. Back in the early days of reform and opening up, China explicitly set out such slogans as "Take economic work as the key," and "Create a sound international environment." Despite the fact that it is not all peace on earth today, the general situation tends toward relaxation, and economic development is the common interest of various countries. The Chinese Government has seized the opportunity; made the best use of the situation; adopted various major measures; and continuously improved the investment climate for foreign businessmen, as well as the foreign trade structure; so as to further link the Chinese economy to the world economy. The fact that a large number of leaders of strong enterprises is accompanying Premier Li Peng to visit three European countries has specifically reflected the aspirations and will of the Chinese Government and people in this respect.

Economic cooperation between China and European countries is the most important component in the friendly cooperative relations between the two sides. The two economies are highly complimentary. China is vast in territory with rich natural resources; it has a broad market and a relatively low cost of labor. To accelerate the building of the socialist market economy, it is imperative to develop infrastructure, such as energy resources, communications, transportation, and telecommunications, and to learn from the advanced managerial experiences of developed Western countries that have advantages in these arenas. Take, for example, the Sino-German contracts and letters of intent signed most recently, the area of cooperation include power plants, and such trades as iron and steel, automobiles, railroads, machinery, and the chemical industry. The means of cooperation vary, ranging from import of equipment to direct investment, from feasibility research in infrastructure building to learning from German vocational education. The establishment of such cooperative relations characterized by "equality, mutual benefit, lengthy term, and reliability" will promote modernization in China. During his current European visit, Premier Li Peng set out four basic principles: "Friendly relations, with an eye to the future; mutual respect to promote trust; mutual benefit on an equal footing so as to achieve overall development; and strengthened negotiations to expand cooperation." Sino-German and Sino-Austrian comprehensive economic cooperation is precisely the best embodiment of these four principles.

During the current visit, Chinese entrepreneurs and their German and Austrian colleagues made extensive contacts and enhanced mutual understanding, which laid a very good foundation for further expanding exchanges and cooperation between the two sides. It is expected that Premier Li Peng's current European visit will greatly promote China's economic cooperation with Germany and Austria. Furthermore, it will vigorously promote cooperative economic relations between China and the entire Europe.

#### **Industry Head Comments on Company Registration Law**

OW1207063994 Beijing XINHUA Domestic Service in Chinese 1304 GMT 30 Jun 94

[By reporter G. Gang (0265 0474)]

[Text] Beijing, 30 Jun (XINHUA)—Liu Minxue, director of the State Administration for Industry and Commerce, said at a news briefing here today: Beginning 1 July, all new companies must be set up according to the provisions of the "Company Law" and the "Regulations for Administering Company Registration"; otherwise, they will not be allowed to register as companies.

Liu Minxue said: The above-mentioned two laws will go into effect as of 1 July. To set up a limited liability company or a limited liability stock company, it is necessary to first obtain the approval of its name from



the company registration authorities. To set up a state-owned company whose investment comes from a single source, the organ or department that is authorized by the state to invest should register the company with the competent authorities. When a company wants to set up a branch office, it may register the branch office with the city or county administration for industry and commerce where the branch office is to be located. No other standardization documents, except for specific provisions of laws or administrative laws and regulations, should constitute preconditions for company registration.

However, Liu Minxue said: A company to be set up with foreign investment still should be handled according to the regulations now in force.

It is learned that in applying for establishing a limited liability company, the following documents are generally to be submitted to the company registration authorities: An application for registration signed by the chairman of the board of the company; a copy of a document certifying the representative designated or entrusted by the company's board of directors; a copy of the charter of the company; a capital certificate given by a legally qualified capital-appraisal institute; certificates of shareholders as legal persons and natural persons; documents carrying the names and addresses of the company's directors, supervisors, and managers; certificates of their appointment, election, or employment as directors, supervisors, and managers; certificates of the appointment and identification of the company's legal representative; notice of the approval of the company's name; and a certificate of the address where the company is to be located.

#### **Official Says State Must Strengthen Land Laws**

*HK1107152294 Beijing ZHONGGUO XINWEN SHE in English 1257 GMT 11 Jul 94*

[Text] Beijing, 11 Jul (ZHONGGUO XINWEN SHE)—China has to further strengthen the land laws, the Director of State Land Administration, Mr. Zou Yuchuan, said today. He pointed out that supplementary laws and regulations had to be enacted in order to ensure smooth implementation of the new urban real estate regulations.

The "Land Law of the People's Republic of China", the basic law to govern the land, is now under formulation. Other laws and regulations, including the provisional regulations of transfer of utilization rights to state-owned land in urban area and regulations of land utilization by foreign-funded enterprises, are either being drafted or proposed.

Being the organs responsible for unified administration of land across the country and the keepers of state-owned land on behalf of the government, the land administrative departments at various levels had to be strictly self-disciplined and conduct clean practice in accordance

with law, Mr. Zou said. He added that several points had to be emphasized when the urban real estate regulations were implemented.

First, transfer of utilization rights to land has to be properly handled. Contracts for such transfer have to be signed by land administrative organs on behalf of the government with land users. The organs have also to carry out supervision of and inspection on the fulfillment of these contracts.

Second, the evaluation and administration of land price have to be staged by land administrative organs. They are also responsible for fixing as well as making public the standard land price and setting prices for land, while at the same time examining the qualifications required of land assessment agencies and their staff.

Third, the land market has to be put at proper administration, while the transfer of utilization rights to land, land leasing and mortgage have to be strictly supervised and examined.

Fourth, the general planning for land use and a plan for annual use of land for construction have to be drawn up. A control index for the use of land for real estate development as well as a proposal for the annual transfer of state-owned land have also to be worked out. Macro-regulation of the land market has to be carried out.

Fifth, cases in violation of the law on land use have to be dealt with according to law.

#### **Conference Focuses on Problems of State Enterprises**

*HK1207071594 Hong Kong SOUTH CHINA MORNING POST in English 12 Jul 94 p 9*

[By Daniel Kwan]

[Text] Figures released by Beijing yesterday showed that the Chinese Government was still struggling to put the overheated economy under control while the efficiency of the state-owned sector was still poor.

Statistics released by the State Statistical Bureau showed that half-year industrial output had increased 15.8 per cent from last year, reaching 754 billion yuan (HK\$673.32 billion).

But state enterprises continued to lag behind other sectors of the economy in the six-month period this year.

According to the bureau state-owned industries reported a slow 4.4 per cent growth in the half-year period, compared with 20.3 per cent in the collective sector and 28.9 per cent by private and foreign-owned enterprises.

The bureau claimed that a series of measures taken by the central Government had yielded results and state enterprises were improving.

However, the difficulties of state-owned enterprises were the focus of a recent national conference called by the

State Planning Commission to investigate remedies to save state enterprises and report on the economy.

According to a report by the Xinmin Daily, economists and officials who attended the conference believed runaway prices remained the biggest threat to the national economy.

They shared the view that the Government must continue anti-inflation policies and search for new solutions to solve the problems of state enterprises.

They estimated that inflation from the second quarter would level out at 18.5 per cent from 20.1 per cent in the first quarter.

A further cooling period was predicted in the third quarter and inflation was expected to drop to 13 per cent, settling on an average of 13 to 15 per cent for the year.

But they agreed that such a figure was higher than the "less than 10 per cent" target set by premier Li Peng in his Government Work Report last March.

Economist Wu Jinglian, who attended, held that the Government must impose strict control over its money supply and adopt harsh measures to combat profiteering to fight inflation.

But an official from the People's Bank of China argued that unchecked subsidies for state enterprises were to blame for the soaring prices in the market.

He suggested that the Government should stop subsidizing state enterprises through low interest loans from the central bank, pointing out that these subsidies amounted to 300 billion to 400 billion yuan each year.

Instead, the bank official believed that the Government should convert these subsidies to direct assistance.

State enterprises proven to have no viability in the increasingly competitive market should be allowed to clear debts with the banks and be declared bankrupt.

Other anti-inflation measures suggested included a continual control over fixed assets investment, which they said would reach 1,300 billion yuan this year.

#### **Commentator Urges New Ideas of Development**

HK1107064994 Beijing QIUSHI in Chinese No 13,  
1 Jul 94 pp 17-20

[Commentator's article: "There Must Be New Ideas in Development"]

[Text] Of the three major tasks—reform, development, and stability—development is the core and the purpose of deepening reform and maintaining stability. Development is the last word [ying dao li 4289 6670 3810]. Taking firm control of economic construction and promoting economic development is always placed in the central position of the entire work of the party and the

nation. In recent years, the achievements attained in China's economic construction have been tremendous, and have attracted worldwide attention. Generally speaking, development has been smooth sailing. In the course of development, however, quite a few problems have cropped up, with new contradictions intertwined with old ones, and these have affected the stamina of development. In a bid to maintain sustained, rapid, and healthy development in the national economy, we must positively explore new ways and bring out new ideas.

The key to fostering new ideas on economic development lies in correctly understanding the meanings of sustainment, rapidity, and healthiness, and properly handling the relations among them. Sustainment is a requirement with respect to time because we will not be satisfied with a short period of growth, but call for long-term and steady development. At the same time, it is a requirement for equilibrium because it will not do to develop with great ups and downs, or to grow rapidly at one moment and slowly the next. Rapidity is a requirement in terms of speed and efficiency, which means that economic development should be raised to a new level every few years, as proposed by Comrade Deng Xiaoping. Healthiness is a requirement for maintaining a fine condition of growth for the body of the economy itself in the course of development. These three aspects are an indispensable entirety characterized by mutual promotion and restraint. In a certain sense, whether or not the economy is healthy is a crucial factor of whether or not it can obtain sustained and rapid development. In exploring a new path for economic development, we first of all must concentrate our efforts on bringing about the healthy growth of the body of the economy. Here, we should enable various industries to be relatively coordinated through rationally readjusting and repeatedly optimizing the industrial structure. We should form and maintain a set of rapid and effective economic operational mechanisms through reforming and perfecting various rules and regulations. Economic practice over many years has indicated that it is difficult for the national economy to achieve sustained and rapid development whenever the industrial structure is so irrational that particular stress is laid on heavy industry one moment and on light industry the next, and when the economic mechanisms do not work smoothly and effectively. At present, the difficulties and contradictions that exist in China's economic work are conspicuously manifested in the following aspects: The scope of fixed-asset investment is overly large so that the economy lacks conditions for further growth, the rate of price increases is comparatively rapid, the problem of irrational industrial structure is still prominent, "bottleneck" restraints and inflationary pressures have increased, quite a few large and medium-sized state enterprises have difficulties in production and operation, and the comparative advantage in agriculture has declined so that it lacks adequate reserve strength. Some of these problems have existed for many years, while others have surfaced in the course of reform and development over the past few years. The tasks of surmounting the difficulties and of

easing and resolving these contradictions are formidable. Only by performing these tasks conscientiously can we talk about healthy economic development and provide a comparatively easy environment for further reform and development. Judging from the present circumstances, it certainly will not do to adopt a hesitating and wavering attitude in settling these problems. In this regard, effective results can hardly be produced without a set of new ideas and new measures.

To open up new ideas for economic development in China, we must place our starting point and foothold on the increase of economic results. The incessant increase of economic results is a major indication of a healthy economic development. The development strategy of extensive [cu fang de 4723 2397 4104] operation has been practiced in China for a long time. Its basic characteristic is the excessive pursuit of growth in output value and quantity while neglecting the increase of economic results. In the middle of the 1980's, the central authorities proposed to shift the economic work into the orbit of increased economic results. Over the past 10 years, we have scored certain achievements in this aspect. Taken as a whole, however, China's economic development has not broken away from the model of extensive output value and speed, and the traditional concept of unilaterally pursuing growth rates, regardless of economic results, still has had a considerable impact on economic work as a whole. Up to now, quite a few comrades still simplistically equate "development" with "growth," so that when people talk about accelerating development, they interpret it as increasing investment, expanding scope, setting up new businesses, establishing new projects, and achieving more rapid growth by depending on the expansion of extensive [wai yan de 1120 1693 4104] production.

In fact, development and growth are both related to and different from each other. The enhancement of economic growth rate is the basis of economic development, and also one of the major yardsticks for measuring development level. If China wants to achieve its "three-step" strategy and become a world economic power by the 21st century, it has no option but to stress speed. Economic development, however, calls for the increase of output value and quantity, as well as the enhancement of economic quality. Although an economy also can achieve comparatively rapid growth temporarily through expanded production that pays no attention to economic results and deviates from economic laws, yet it pays a high cost in resources, and its speed often is exaggerated. From a long-term point of view, it will undermine the entire coordination of industrial structure and economic operational mechanisms, so that the body of the national economy will be loaded with an increasingly heavy burden; the channels of economic growth will be blocked; a benign cycle can hardly be created; and various obstacles will be set to prolonged, sustained economic development. Therefore, we must correctly handle the relations between speed and economic results, strive to have a unity of both, and refrain from

following the beaten track of blindly pursuing output value and speed and of expanding the scope of investment. On the contrary, we should strive to maintain a relatively high and realistic development speed on the premise of repeatedly elevating economic results. Various localities, departments, and enterprises must proceed from their actual conditions to determine their own economic development targets in light of their requirements and possibilities, and blind competition in output value and speed must be avoided. The conditions in various localities are tremendously different, so it is normal and inevitable that development is faster in one place and slower in another. If people are engaged in blind competition, things will go amiss, our work will slip back into the old rut, and the proneness to boasting and exaggeration will emerge. As far as the entire country is concerned, the central authorities' targets for economic growth rate have been determined on solid ground after extremely careful study and demonstrations which, generally speaking, will not easily be broken through. Hence, it is necessary to genuinely shift the focus of economic growth to intensive [nei han 0355 3211] expanded reproduction.

In order to build the economic growth points mainly according to intensive expanded reproduction focused on the increase of economic results, it is necessary to place the development of scientific, technological, and educational undertakings in a primary position, so that economic construction will rely closely on the progress of science and technology and the enhancement of laborers' quality. Scientific and technological departments and their personnel must place the promotion of economic construction and increase of economic results in a primary position; energetically intensify the integration of science, industry, agriculture, and trade; and accelerate the process of transforming scientific and technological results into realistic productive forces. Serious attention should be paid to accelerating the pace of technical transformation in existing enterprises, urging and encouraging enterprises to expedite technical transformation and equipment renovation, optimizing the allocation of resources, and increasing economic results. The constant elevation of laborers' quality will simultaneously raise productivity, help increase economic results, reflect the intrinsic requirements of socialist economic development, and contribute to fully exercising the role of the vast number of laborers as masters of the country in economic construction. We must pay serious attention to enhancing the quality of laborers and managers, to the scientific and cultural level and technical ability of laborers, and to their ideological and moral standards. We must fully release the initiative of various social sectors in running schools, and must energetically develop educational undertakings in various forms and at multiple levels. In particular, we must strengthen workers' on-the-job technical training, as well as vocational and moral education, so as to bring up a younger generation of socialist laborers who will be suited to the requirements of modern productive development. We must extensively encourage managers to



study the theory of the socialist market economy; to study science, technology, and modern production and management knowledge; and to assimilate advanced foreign management experience with a view to training, as quickly as possible, a mighty contingent of personnel who are familiar with modern operational and management activities under conditions of a socialist market economy.

The fundamental way to increase economic results is to further structural reform of the economy. For the prominent problems existing in China's economy—including the excessively large scope of fixed-asset investment, the stubborn "illness of thirst and hunger for investment," uneven economic structure, poor enterprise performance, and so on—people will not find it difficult to discover the crux of the structure. That is, the problems are attributed chiefly to the fact that the malpractices of the old structure have not been totally overcome, and the new structure has not entirely taken shape. It is certain that the enhancement of economic results depends on changing the mode of resource allocation from planning to market, which plays a foundation role, and also depends on enterprises really becoming main bodies of the market, which are marked by independent operation, sole responsibility for profits and losses, self-development, and self-restraint. Therefore, we should transform the enormous enthusiasm for fast-paced development into a powerful dynamic for in-depth reform. Principal leading comrades in various localities and departments should concentrate greater efforts on reform and should rack their brains to put into practice in their localities and departments the series of major reform measures promulgated by the central authorities. The people of the entire nation, from top to bottom, should march in step, with one heart and one mind, to push forward the magnificent cause of reform in a bid to establish the socialist market economy structure and its corresponding economic operational mechanisms as quickly as possible, and to provide a reliable guarantee for expediting development and enhancing economic results.

Enterprises are cells of the national economy, so enterprise reform and development are key links of economic reform and development as a whole. If large and medium-sized state enterprises are revitalized and run properly, the sustained, rapid, and healthy development of China's economy will have its basic support. We must pay close attention to the transformation of enterprise operational mechanisms in light of the orientation and objectives of the modern enterprise system. Government departments should change their functions conscientiously, reduce their direct control over and administrative intervention in enterprises, and grant to enterprises at no discount the decisionmaking power for operations in 14 aspects, as stipulated in the "Regulation on Transformation of Operational Mechanisms in State-Owned Industrial Enterprises." Enterprises themselves should further enhance their vigor and do their utmost to bring their subjective initiative into full play in implementing

this regulation and in advancing toward the market. All enterprises should concentrate their energies on intensifying internal management so as to obtain faster speed and better results. In real economic life, some enterprises with similar conditions have extremely striking differences in speed and results in the course of development. They also are faced with varying destinies in market competition. This is generally owing to the differences in their internal management level. A lot of experience gained by advanced enterprises indicates that the improvement of internal management systems, the perfection of management "software," and the enhancement of managers' level will enable enterprises to exercise the decisionmaking power already in their hands even more flexibly and effectively, so that economic results will be raised quickly, and even enterprises on the verge of bankruptcy will be brought to life again. The truth that "management is a productive force" is mirrored vividly in these enterprises. Conversely, quite a few enterprises have a very low management level, and their production potential is far from being tapped, yet they indulge themselves in setting up new investment projects and "are keen on opening up new land while letting the original fertile land lie waste," so that losses outweigh gains. If these enterprises would think more about their internal management and make only necessary investment, then it would not be difficult for them to yield twice the result with half the effort.

Intensification and improvement of macroeconomic regulation and control is an organic component of deepening reform and establishing a socialist market economy structure. Only by intensifying and improving macroeconomic regulation and control and by maintaining a rough balance between total social demand and total social supply can we avoid huge losses and ensure the sustained, rapid, and healthy development of the national economy. The view that considers the establishment of a macroeconomic regulation and control system as conflicting with the establishment of a socialist market economy structure is incorrect. In accordance with the actual conditions of national economic development at different periods, we may have different work focuses, with which we sometimes put more stress on the market role and sometimes on the state's macroeconomic regulation and control. However, while stressing one aspect of the matter, we must not neglect or relax the other aspects. Since the middle of last year, aiming at the conspicuous contradictions and problems on the road of advance, the central authorities have adopted a series of timely macroeconomic regulation and control measures, with economic and legal means as dominant factors and necessary administrative means as the complement, in order to vigorously rectify monetary order, and to rein in the momentum of the real estate and development zone crazes, as well as rampaging investment growth, thereby stabilizing the economy, bolstering the state's key construction, mitigating the problems in some areas, and improving the environment for economic development. From this practice, people will easily acquire an even more profound, correct, and new understanding of the

role of macroeconomic regulation and control. Under all circumstances, a far-sighted and capable entrepreneur should regard the state's macroeconomic regulation and control as a major guide to action rather than a passive restraint. In pursuing the economic results of the enterprises, he should be good at combining the microeconomy with the macroeconomy, and at striving for better and stable economic results coordinated among enterprises and with overall development. The practices of those who racked their brains to learn "countermeasures"; availed themselves of "loopholes"; and adopted an attitude of being "flexible," "playing edge balls, [da ca bian qiu 2092 2361 6708 3808]," or even "dashing through red lights" in the implementation of such central macroeconomic regulation and control policies as strict control of investment scope; are indeed undesirable. Even though they will benefit from these practices for a period of time, yet from a long-term perspective, as they run counter to objective economic laws; infringe on the authority of state policies, laws, and decrees; and jeopardize the healthy operation of the economy as a whole; they inevitably will damage not only the overall interests, but their own as well.

Whenever we talk about development and exploration of new ideas for development, we cannot help but lay particular stress on coordinated economic and social development. Economic development, in the final analysis, should serve the objective of human social progress and should provide a solid material foundation for social progress. In the meantime, comprehensive social progress also is shown in the constant elevation of people's spiritual civilization level. Apart from relying on its own direct production elements, economic development is also inseparable from certain cultural, social, and political conditions and environment, which is the outcome of comprehensive effects of various factors. It is very difficult to acquire sustained economic development if people pay attention only to direct production elements, while slighting the improvement of social conditions. If we talk only about economic development, however, and pay no attention to comprehensive social development, our society cannot obtain genuine comprehensive progress. It is extremely dangerous to regard the material as superior to the spiritual, to ignore the building of people's ideology and morality, and to fail to vigorously overcome various corrupt and negative social tendencies because this will lead to disastrous consequences for the state and the nation. Therefore, we should unswervingly adhere to the center of economic construction, but under no circumstances should we grasp economic work in an isolated manner. We should, on one hand, give priority to the center of economic development, and on the other, carry out overall planning, with the focus on economic development. We should adhere to the principle of "doing two types of work simultaneously, while attaching equal importance to both." That is, we should stress the building of

material civilization while stressing the building of spiritual civilization; take firm control of punishing corruption, cracking down on various economic criminal activities, and eliminating all sorts of ugly social phenomena while taking firm control of economic work; intensify the building of the socialist market economy structure while seriously reinforcing the building of socialist democracy and the legal system; and repeatedly enhance the people's material living standards while repeatedly raising their level of cultural life. Only by so doing can we provide a favorable social environment, a powerful spiritual motive force, and a mighty intellectual support for bringing about comprehensive social progress in China.

### **Commentator on Controlling Arbitrary Fee Collection**

*HK1207012194 Beijing RENMIN RIBAO in Chinese 8 Jul 94 p 2*

[Commentator's Article: "Never Relax Work To Control Arbitrary Collection of Fees"]

[Text] The arbitrary collection of fees has been the problem most complained about by the masses in recent years, for this practice has added extra burdens on enterprises and the people. Furthermore, it has disarranged normal economic order and jeopardized the reputation of the party and the government.

In accordance with the general arrangements made by the Central Committee and the State Council, as well as strong mass demand for halting this unhealthy atmosphere, the Ministry of Finance and the State Planning Commission have abolished two batches of fee-collecting items since last September. Recently, an announcement was made on the abolition of the third batch of fee-collecting items. In all three batches, a total of 192 fee-collecting items have been abolished. In a comprehensive way, local governments and related departments at various levels have conducted a weeding-out of fee-collecting items on which they had earlier decided on their own. Consequently, central-level departments announced the abolition or suspension of fee-collecting on 450 items, whereas various governments at and above the county level across China abolished the collection of fees on 27,000 items, all told. The sum thus deducted from the collection of fees involved some 7 billion yuan. This is a specific embodiment of the party and government doing substantial work for the masses, as well as an important measure for fighting corruption and advocating clean government, and it has won universal welcome from society.

Nevertheless, the result in improving the arbitrary collection of funds is only initial. In addition, China's economic structure is still in the course of conversion; when old problems are resolved, new ones will surface. For the sake of money and the interest of one's small organization, to satisfy the personal desire of some people, it is quite possible that some units will rely on the

power in their hands in order to collect fees arbitrarily under various pretexts. This being the case, we should never relax the work of controlling the arbitrary collection of fees, but must grasp it unrelentingly and in depth.

The basic solution to the arbitrary collection of fees lies in magnifying the building of the legal system, supervision and control. Therefore, it is necessary to quicken the pace in the building of laws, decrees, rules, regulations, and systems on administrative and institutional collection so that there is a law by which to abide, and so that the responsibility for law-breaking practices is investigated and affixed. It is imperative to be strict with the system of examination and approval for fee-collecting items. With the exception of the central and provincial governments, and their financial planning (price) departments, no locality or department should make decisions on its own concerning items for the administrative and institutional collection of fees. We must resolutely investigate and handle cases of violating rules and regulations, overstepping one's authority in presenting fee-collecting items, arbitrarily expanding the range of fee-collecting, raising fee-collecting standards, and arbitrarily collecting fees. It is imperative to establish, complete, and perfect the system of issuing fee-collecting permits and receipts, and of auditing. In all administrative and institutional collection of fees, only unified receipts produced by or under the supervision of financial departments at and above the provincial level are to be used. The system of supervision and accusation concerning the administrative and institutional collection of fees must be established. Related departments must earnestly deal with, and solemnly investigate those problems and cases reported by the masses. Regarding the leadership of those localities, departments, and units that knowingly violate the rules and regulations, show leniency for or shield the behavior of arbitrary fee collecting, or intercept and misappropriate funds collected, their responsibility must be investigated and affixed, and their cases must be handled solemnly; by no means should they be tolerated. The administrative collection of funds gradually should be included in the budget, and separate control over revenue and expenditure should be implemented. It is necessary to basically iron out the revenue-and-expenditure relationship in the administrative collection of fees, and to magnify supervision and control over the collection of funds in this category so as to put an end to seeking personal gains through the collection of funds in the system.

China is in an important period of reform and development, and stability in people's minds is the key to ensuring the smooth progress of reform and development. The practice of arbitrarily collecting funds is unpopular. It must be corrected resolutely and the work must be carried through to the end. Party and government leadership all levels must attach great importance to it, always adhere to proceeding from the people's interest, regard improvement in the arbitrary collection of fees as an important content in building party style and clean government, and do it in real earnest with good results.

#### Article Discusses Recent Decline in Prices

HK1207033094 Beijing RENMIN RIBAO in Chinese 20 Jun 94 p 1

[By staff correspondent Gong Wen (7895 7186): "How Should We View the Current Price Movement?"]

[Text] How should we view the current price movement? What expectations should people have concerning prices? These are the focus of attention in economic life at present.

Let us take a look at what actually has happened in the past nine months:

Price hikes began to level off beginning in March, after the 21-percentage-point rise from the same period last year in the first-quarter national retail price index. March's chain index rose 0.9 percent, down 2.4 percentage points from February; April's rise was down 0.7 percentage points from March; and May's down 0.6 percentage points from April. Prices for consumer goods in 35 big cities in May remained at the same level as April.

The most noticeable change occurred in capital goods markets, where price hikes leveled off, and for some products such as steel, cement, and sedans, fell to varying degrees. Prices for some durable consumer goods like washing machines and color televisions also fell. Firms began to cut prices to compete for buyers.

These figures show that price hikes are tapering off and dropping. People who had banked too much on expectations of a rising price trend were proved wrong.

Authoritative figures and concerned departments made the following analysis of the factors behind the price movement:

The excessive increase in the first quarter of this year was very much a continuation of last year's trend. As time moves on, this so-called "tail-raise" element will wear off.

There also have been changes in the demand-supply relations in current domestic markets. The role of demand-supply disequilibrium in price hikes is weakening, particularly since the scale of investment in infrastructure was brought under control and its effect on prices eased. There has been considerable improvement in the supply of capital goods to the market, with some supplying more than demanded.

The practice of taking advantage of the chaotic economic order to raise prices has abated; prices are beginning to move in a manner reflecting genuine demand-supply relations and the law of value.

In particular, a range of recently adopted government measures designed to stabilize and curb prices is beginning to take effect: For example, the vigorous pursuit of agricultural production and "food baskets," while placing strict control on credit scale; a strengthening of



control, regulations, and management of prices; mounting massive price inspections; investigating and dealing with a number of cases involving arbitrary price hikes; and some localities have drafted "antiprofitereering laws."

Of course, while the trend we are witnessing is good, we cannot grow complacent about the price problem. We must realize that it remains very difficult to fulfil the level of price control targeted for this year. The investment-generated pull on prices remains strong; fake and inferior goods and profiteering remain serious; and problems concerning prices for "food baskets" and "rice bags" still require tremendous, painstaking work. Here the key is a full and realistic picture of price movements among the people, who then may overcome the blind and excessive expectation of price hikes; consumers and users will not be swayed by or suffer from a few price fixers; and governments, departments, and enterprises can tackle their work in this area with more confidence.

#### **Nation's Technological Markets Developing 'Rapidly'**

*OW1207094994 Beijing XINHUA in English 0756 GMT 12 Jul 94*

[Text] Beijing, July 12 (XINHUA)—Technological markets have been developing rapidly all across China over the past few years.

Statistics up to last year revealed the country had 50,000 organizations specializing in the trading of technologies, with more than 950,000 employees.

Contracts worth 20 billion yuan were signed last year at the country's technological markets, showing a sharp increase compared with the figures for the previous year.

Experts here say that technological markets have become one of the country's most effective ways of solving the problem of the divorce of science and technology from the economy.

Last year China held 800 technological fairs of various kinds, with 260,000 items of technology displayed. Industrial enterprises across the country purchased 160,000 items at these fairs, with contracts worth 13.4 billion yuan.

Under the influence of the market mechanism, the country's scientific and technological setup has undergone tremendous changes.

More and more scientific research organizations have begun to adjust their research directions and look for new research tasks compatible with the demands of the country's economic construction.

Last year scientific institutions across the country signed contracts worth four billion yuan for starting new research programs by way of the market mechanism.

In addition, the country has also selected rural areas from a dozen counties and cities for experimenting with the building of agro-technology markets.

The transaction volume at these agro-technological markets hit 900 million yuan-worth last year.

In the meantime, the country has worked out a set of rules and regulations to strengthen the management of its various kinds of technological markets.

It has also set up organizations to deal with disputes concerning technological contracts.

#### **Regions Cooperate To Harness Huaihe River**

*OW1107021594 Beijing XINHUA in English 0108 GMT 11 Jul 94*

[Text] Hefei, July 11 (XINHUA)—Several projects to harness the Huaihe River are now under way thanks to the cooperation of the regions in the catchment area.

The projects include anti-flood installations on the upper and middle reaches, construction of a new river channel and the diversion of flood water.

According to an official from the Huaihe River Irrigation Commission of the Ministry of Water Resources, these projects will boost the overall capacity of the Huaihe River against flooding, as the main course of the river and its major tributaries will be able to contain floods that may occur only once in 50 years.

Huaihe flows through Henan, Anhui, Jiangsu and Shandong Provinces. With unstable river bed, it causes frequent floods.

In 1991 the State Council made a decision on regional cooperation to further control the Huaihe River.

The valley containing the Yihe, Mahe and Sihe tributaries, containing over 10 million mu (666,000 ha) of arable land, is the area most vulnerable to flooding. A project to control the floods in this area began in the 1970s with a planned investment of two billion yuan. But it came to a halt because Jiangsu and Shandong Provinces were at loggerheads over procedures.

The project revived with the formation of the Huaihe River Irrigation Commission and the cooperation of the two provinces.

#### **QIUSHI Conference on Economic Situation**

*HK0907062594 Beijing QIUSHI in Chinese No 12, 16 Jun 94 pp 2-17*

[Report: "Clearly Understanding the Situation; Taking the Overall Situation Into Account; and Promoting the Sustained, Rapid, and Healthy Development of the National Economy—Excerpts of Speeches Given at a QIUSHI-Sponsored Forum on the Economic Situation"]

[Text] Editor's Note: Under the guidance of the spirit of the 14th party congress and the Third Plenary Session of the 14th CPC Central Committee, our country's economic situation is generally good and many reforms now are being implemented in a healthy way in accordance with the arrangements of the party central committee. In order to understand the current economic situation and study the existing problems in economic operations, on 13 May QIUSHI invited responsible comrades from the Central Committee and the relevant departments of the State Council, as well as economists, to participate in a forum chaired by our chief editor, Comrade Xing Benshi [6717 6321 1835]. We publish below some excerpts of the speeches.

**Correctly Understanding the Current Economic Situation—by Bai Hejin [4101 0735 6855], head of the National Economy Comprehensive Department under the State Planning Commission**

Seen overall, since the beginning of this year, the national economy has been developing in a good direction and the overall situation is increasingly approaching the targets anticipated for state macroeconomic regulation and control measures. This is manifested mainly in the following three aspects:

First, the major financial, taxation, banking, foreign trade, and foreign exchange measures that are intended to sort out basic economic relationships and to resolve deep-going contradictions have been implemented smoothly and in a planned and ordered way. Transformation is basically normal and no major shocks have occurred in economic life. This is an important indicator that the overall economic situation is good, and we should appraise it positively.

Second, a fine situation has been maintained in economic growth. On the basis of two years of 13 percent high-speed growth in our country's economy, in the first quarter of this year, GDP saw a further growth of 12.7 percent over the same period last year. Over the period from January to April this year, the gross value industrial output at and above the township level throughout the country grew 18.4 percent as compared with the same period last year. Growth in April reached 20 percent. First-quarter growth in the output value of state-owned industrial enterprises was quite low, but in April we saw the beginnings of improvement. Gross output value of state-owned industry in April was 5 percent up on the same period last year, about 3 percentage points higher than the growth figure in the first quarter. This shows that after strengthening macroeconomic regulation and control, while the speed of economic growth saw a steady fall-back, it maintained a quite swift momentum. We did not see the appearance of a situation of "stagflation," and we did not see any widespread shutting down or partial shutting down of enterprises. According to a survey, only 10 percent of state enterprises have stopped production or are working at less than capacity. Those which have shut down constitute about 4 percent of the total, and these are mainly small and medium-sized

enterprises, and most of those over the last few years have been in situations in which they have stopped production or worked at less than full capacity.

Third, over the last two years, the various contradictions and problems that have appeared in the course of economic growth have been alleviated, to varying degrees, and macroeconomic stability has been strengthened. In the past, the problems were mainly in two areas: The first was that the new round of "handing down power and allowing the retention of profits" at the same time as promoting economic growth, also gave rise to confusion in economic order. For example, there was chaotic inter-borrowing, chaotic fundraising, chaotic investment, chaotic reduction and exemption of tax payments, a real estate craze, a development zone craze, a large amount of blind transferring of land, the arbitrary sale of state enterprises, and so on. Second, the economic growth mode still has been unable to break free from the old road of relying mainly on increasing investment, adding projects and seeking extensive-type quantitative expansion. Thus, when the speed increased, the "bottleneck" restrictions swiftly tightened and the contradictions of imbalance in overall economic volumes and structural imbalance were further intensified. The problems in these two areas eventually will be manifested as intensified inflation. In response to this situation, the central authorities have adopted timely measures for deepening reform and for strengthening and improving macroeconomic regulation and control. This year, the central authorities have stipulated the 20-character policy of "grasping the opportunity, deepening reform, expanding opening up, promoting development, and maintaining stability." Seen from the situation in the first four months of this year, production, circulation, investment, banking, finance, and prices all are heading toward the target of a "soft landing." The pace of economic growth has seen a steady decline, but still has remained at quite a high level, and there have been no major fluctuations.

While making a positive assessment of the economic situation this year, we also need to recognize that the basis of the current balance of overall economic volumes still is not stable, and the room for maneuver in terms of macroeconomic regulation and control is not great. We still need a period of time. We need to make great efforts to take in and digest the results of the contradictions that have appeared in the last few years. At the same time, structural changeover inevitably will involve some pain, and this work has only just begun. Under such conditions, if we are even the slightest bit careless, things may occur which will affect the stability of the overall situation.

Thus, in the following several months, we must continue to maintain the existing degree of macroeconomic regulation and control, handle matters carefully, operate prudently, and continue to maintain the stability of the market and the holding down of inflation as the major tasks of macroeconomic regulation and control this year. Under this precondition, we must maintain appropriate

sustained growth of the economy and push forward the various reforms in a positive and safe manner.

**Carry Out Microeconomic Readjustment in Accordance With the Time and the Situation—by Liu Guoguang [0491 0948 0342], consultant of the Chinese Academy of Social Sciences**

Since macroeconomic regulation and control was strengthened in the second half of last year, certain results have been achieved. The overheating of the economy and the chaos in financial order were rectified to a certain degree, and the speed of growth was brought down. In the first quarter of this year, the growth rates for GDP, gross industrial output value and fixed-asset investment all were down as compared to last year. The only thing that remained high was the level of prices. This, of course, involved the problem of changes in price levels occurring more slowly than financial readjustment, but the 20-plus percent by which prices grew must be seen as cause for concern.

There are different ideas on the macroeconomic situation at present. Some comrades hold that inflation is not a big problem, and that unemployment is actually the major problem. At present, enterprises are in quite difficult circumstances, funds are tight, performance is down and some enterprises have stopped production either partially or completely. On this basis, some comrades claim that now we are seeing "stagflation," and they hold that at present the major danger is "stagnation" rather than "inflation." This view requires serious examination. Although some economic indicators have seen a reduction in their growth as compared to the same period last year, their rate of growth is still quite high. In the first quarter, GDP grew by 12.7 percent, industrial growth was 18.6 percent, and fixed-asset investment grew by 36.2 percent. These must be seen as quite high speeds of growth, and in many areas of production and construction there is still development. For example, in some key construction projects and in the production of products that sell well both domestically and internationally, there is still bustling activity. How can this be called "stagflation"? Of course, there certainly exists the phenomenon whereby surplus production capacity exists as a result of it having been blindly brought into production during the period of economic overheating. Some enterprises whose low efficiency and negative efficiency were concealed during the period of economic overheating naturally will experience difficulties after the economic cycle passes its peak and enters a period of contraction. However, this is a good opportunity for market economy structural readjustment and for the superior to succeed while the inferior are weeded out, and there is nothing strange or surprising about it. Of course, there are also some enterprises that are efficient, have markets, and should be supported, which have experienced difficulties of one sort or another, particularly funding problems, which need to be resolved. However, we certainly cannot, on this basis, say that the major problem in the economy at present is stagflation.

Such claims could provide erroneous guidance for macroeconomic regulation and control. In fact, inflation now has exceeded the limits of medium inflation, and now is quite serious, and its negative effects are becoming increasingly great. Although price rises may see some alleviation in the future, they also may soar upwards again as a result of the effects of changes in the money market. This is an issue that requires close attention.

At present, macroeconomic regulation and control faces pressure from two sides, and is in a dilemma. On the one hand, there is a loud call from localities and enterprises demanding that restrictions on money be relaxed so as to resolve their funding difficulties. On the other hand, there are also loud calls from the masses in society seeking a clamping down on inflation to contain prices. If we bend to the first pressure and relax restrictions on money even before we have achieved a soft landing, inflation will see pernicious development. Then, when society is unable to bear the inflation, it will be necessary to apply the brakes harshly, and this will produce major damage. If we bend to the second pressure, it may result in the economy abruptly dropping into a deep trough and sinking into a slump. This likewise will result in losses. We have had lessons in both these respects in the past, and thus we must put efforts into avoiding them. It appears that the only feasible macroeconomic regulatory and control measure that is in accord with the current trend in the economic cycle is to suit measures to time and place and to engage in micro-readjustment. This sometimes can involve relaxation and sometimes, tightening up. At the same time, in terms of balance in overall volumes, we should maintain a fairly tight situation and strive through efforts this year and next to grasp the deepening of reform and structural readjustment, so as to keep economic growth and price rises within the scope of reasonable targets. Thereby, we will be able to smoothly make the transition to the next economic stage. I believe that this is the policy that has been in place since last year and is the correct macroeconomic regulatory and control principle, which should be maintained for some time to come. Although this method will not completely eliminate pressure from the two sides, or completely satisfy the demands of the two sides, considered overall, this is an avenue that will cost little and through which we will gain much. It is also an avenue by which, on the one hand, we will be able to guard against the pernicious development of inflation, and on the other, will be able to maintain a certain growth.

It also appears that the strength of macroeconomic regulation and control needs to be increased, and there is a need for few more measures to be implemented. As, at present, our country's economy is still in a stage of transition from the traditional planned economy to a socialist market economy, and the two tracks of the old and the new systems will coexist for quite some time to come, it is inevitable that in macroeconomic regulation, both direct administrative measures and indirect market measures will be used concurrently. However, we should consciously expand the use of indirect measures so as to



accelerate the transformation of the economic structure. Interest rates are an extremely important indirect regulatory and control measure, and the question of strengthening the role of interest rates in macroeconomic regulation and control should be placed on the agenda. Since the beginning of the reforms, we have used interest rate measures on several occasions to carry out macroeconomic regulation and control, and in most cases we have attained quite good results. However, seen overall, interest rates are still being used insufficiently and bank interest rates are still set by the administration. Generally, interest rates are quite low and are even lower than the rate of price increases, which results in negative interest rates. Such interest rates are a major promotional force for overall demand inflation, and are a great obstacle to guarding against economic overheating and inflation. Interest rate reform will affect many areas, involve a certain amount of risk, and require a process over time. We should further emancipate our minds, and employ the courage we demonstrated in reforming exchange rates to the reform of interest rates, so as to further perfect the macroeconomic regulatory and control system.

**Firmly Uphold the Balancing of Overall Volumes—by  
Wu Shuqing [0702 2885 7230], head of Beijing  
University**

In order to promote the sustained, rapid, and healthy development of the economy, we must strengthen macroeconomic regulation and control. The most important part of macroeconomic regulation and control is regulating and controlling overall economic volumes. This means keeping an overall balance between total social demand and total social supply. Seen from the actual situation at present, in order to be able to maintain a balance between overall social supply and overall social demand, under conditions in which the national economy continues to maintain a fine development momentum, while at the same time putting efforts into increasing effective supply, we also must make efforts to control the excessive growth of overall social demand. Seen from a historical angle, in our country examples of the situation in which insufficient demand has given rise to an imbalance in overall volumes are quite rare, and in the majority of cases, it has been an excessively rapid growth in overall demand which has given rise to imbalance in overall volumes. Prior to the reforms, the main source of the excessively rapid growth in overall demand was excessive growth in investment, and the scale of investment exceeded national strengths. Since the beginning of the reforms, we no longer have been able to use the artificial restraining of growth in consumption funds to raise the accumulation rate, as we did in the past, and because of the rigidity of growth in income, the excessively rapid growth in overall demand often is manifested as dual inflation in both investment and consumption. Thus, controlling excessive growth in overall demand requires that we both strictly control the scale of fixed-asset investment and rationally control and guide the growth in consumption demand.

In maintaining a rational scale of investment so that the scale of construction does not exceed national capacities, we must rely on deepening the reform of the investment and financing system, and establish a risk restraint mechanism for investment. However, the establishment of an investment and financing system that is in accord with the socialist market economy will require a process over time, and cannot be achieved in one step. Even after the new system has been established, the state will need to engage in effective indirect regulation and control of overall investment volumes and the investment structure. In the current period of structural changeover, in a situation in which the scale of projects under construction throughout the country is very large and the scale of investment arranged for this year is very great, we must adopt powerful measures, so as to firmly control the continued expansion of the scale of investment. This is a basic requirement in controlling inflation. To this end, we not only must establish diverse modes by which to control the various types of low-standard, low-efficiency duplicate construction, but also must act only according to our capacity in the construction of basic industries and basic facilities. At the same time, we must particularly guard against the reappearance of the development zone craze and the real estate craze. On the issue of controlling the scale of investment, we must positively, completely, and correctly understand Comrade Deng Xiaoping's ideas on grasping the opportunity and developing ourselves. Comrade Deng Xiaoping's directive on grasping the beneficial opportunity, speeding up economic development, and striving to achieve a new level within a few years, provides an important strategic idea. That is, it discusses economic issues from a political angle. As to the appropriate scale of investment and the speed of development each year, these must be decided in accordance with actual situations. In many places in Volume 3 of the *Selected Works of Deng Xiaoping*, the question of the speed of development is touched on. In these references, on the one hand there is an overall requirement for accelerated development, while on the other, there is opposition to the seeking of a high speed that is not in accord with reality. They stress that we must grasp management and quality well, and seek both economic benefits as well as overall social benefits, and must not allocate too many funds to capital construction.

They particularly stress that we must rely on science, technology, and education to push the economy forward. Implementing the spirit of these important words of Comrade Deng Xiaoping's requires that we understand that development is the last word. We also must understand that development now is based on a new line of thought and has truly switched to a new track, which is centered on economic performance. We cannot continue to travel the old road of blindly seeking increased output value and expanding the scale of investment.

Strengthening and perfecting macroeconomic regulation and control also requires that we strictly control the scale of credit, strengthen the central bank's regulation and

control of money and its supervisory and management functions with respect to the various types of financial organs, and strictly control the putting into circulation of basic money. As for the problems of tightness in circulating funds, the partial or complete shutting down of production by some enterprises, and the incomplete usage of production capacity, we should engage in specific analysis. The elements giving rise to these problems are quite complex and we cannot ascribe the blame simply to insufficient credit. Our country is now in a stage of rapid economic growth, and tightness of funds is a problem that will last for quite some time. Over the last two years, the overall volume of money and credit increased by a quite great amount, but the funding supply-demand contradiction continued to be quite prominent. This, to a great degree, is because macroeconomic regulation and control over the scale of investment and the industrial structure was without strength. Simply using the method of relaxing money and credit will not be sufficient to basically resolve the various problems produced by insufficient enterprise funds. Quite the contrary, as the further weakening of the financial credit restraints will be disadvantageous to promoting enterprise reform and readjusting the industrial structure, the shortage of funds will become even more serious. The way out lies in deepening enterprise reform, transforming enterprise operational mechanisms, improving operational management, and strengthening the capacity to accord with the market and the capacity for competition. At the same time, we must give credit funds support to those enterprises that have markets and perform well. For products that do not have markets, we should implement the policy of "restricting production, getting rid of stockpiles, and promoting sales." In this way, limited funds will be used in the best way possible, and the funds-utilization benefits will be raised. Only in this way will we be able to lay down a good base for achieving the sustained, rapid, and healthy development of the national economy.

**In Maintaining a Balance of Overall Volumes, It Is Necessary To Grasp Four Links Well—by Guo Zhenying [6753 2182 5391], head of the Industry and Communications Group of the State Council Research Office**

Economic construction is the core of all work, and it is the material basis for reform and social stability. In maintaining the sustained development of the national economy and avoiding the occurrence of major twists and turns, the most important thing still is to maintain a balance of overall economic volumes, and particularly to maintain a balance in finance, credit, foreign exchange, and goods and materials, as well as a comprehensive balance between these. In economic work, we must uphold the principle of proceeding from reality and must not blindly seek unrealistically high rates of growth, which will result in factors of instability appearing in economic and social development. Economic construction and arrangements for people's lives both must be carried out in accordance with our abilities. Fixed-asset investment must be in accord with national strengths,

and the growth in livelihood consumption must be in accord with the development of production. While doing everything possible to increase effective supply, we must strictly control the excessively rapid growth in overall demand. This is a pressing task in our economic work this year. Specifically, we must put efforts into doing well the work in the following areas:

We must strictly control the scale of fixed-asset investments. This year, the prime point of stress in macroeconomic regulation and control is controlling the degree of growth in fixed-asset investment. Over recent years, the growth in the scale of investment has been too swift, with growth of 37.6 percent in 1992 and a further growth of 50.6 percent in 1993. Neither is the scale of investment arranged for this year small. We cannot continue to expand investment like this. Even in basic industries and facilities, we must act in accordance with our abilities and not engage in duplicate construction. We must firmly control the initiation of new projects and guard against the recurrence of the development zone craze and the real estate craze.

We must adopt an appropriately tight monetary policy. Over the last several years, the volume of money supply has been a little high. This has caused excessively great market demand and it must be controlled. Since 1990, the value of money issued has risen at an average rate of 23.7 percent annually, 1.8 times the rate at which GNP has grown. Newly issued credit also has been quite excessive. At the end of 1992, the outstanding balance of various types of credit was 19.8 percent up on the figure at the end of the previous year, and by the end of 1993 there had been a further increase of 22.4 percent. The scale of credit for 1994 is 470 billion yuan. This figure was set under the precondition of comprehensively balancing all sides, and is also not a small figure. This year we must not exceed the scale set for money issue or credit. The central bank must strengthen regulation of and control over money, and also strengthen its supervisory functions with respect to the various types of financial organs, and must strictly control the putting into circulation of basic money.

All banks and other financial organs must strictly control the scale of credit and put great efforts into optimizing the credit structure, so as to guarantee the needs of key productive construction, and raise the use efficiency of funds. It is necessary to continue to rectify the financial order, sort out chaotic inter-borrowing, and firmly withdraw from circulation those funds that should be withdrawn.

We must control and guide consumption demand. At present, not only is the growth in investment demand quite rapid, but the increase in consumer demand is also quite swift. This is another major factor giving rise to inflation. In 1992, the total value of wages of staff and workers throughout the country rose 17 percent, while in 1993 there was a further growth of 21.1 percent over the year. Both these figures far exceed the 13 percent average annual growth in GNP. Continually raising the level of



the people's material and cultural lives is a basic point of departure for our country, but this must be achieved on the basis of economic development. We must adopt powerful measures so that the growth in the total volume of wages of enterprise staff and workers is lower than the growth rate in enterprises' economic performance, and the rate of increase in an enterprise's average wages is lower than the increase in that enterprise's labor productivity. At the same time, we must open up the consumption sphere and encourage residents to purchase housing and motor vehicles and to engage in cultural and tourist activities.

We must control the degree of price increases. The theory of using inflation to stimulate economic growth has been proven by practice to be unfeasible. Since last year, the price increases have been high, and this year prices face great pressure. While promoting price reform, we must, through diverse measures, keep the overall level of prices within fixed targets. We must carefully implement the price readjustment measures already arranged by the state. The various departments and localities must not take advantage of the readjustments to arbitrarily increase prices. It is necessary to correctly implement the new tax system, and it is not permissible to take advantage of the new tax system to raise ex-factory, wholesale, or retail prices. It is necessary to establish and perfect reserve systems for major agricultural products, as well as grain and sideline product risk fund systems, and to do well in market capacity regulation so as to keep prices down. We must strive to increase effective social supply and use our utmost strength to grasp well the production and supply of products needed by the people in their lives. In particular, we must grasp well the production of agricultural products and the urban "Shopping Basket" project.

**Putting Efforts Into Further Improving State-Owned Enterprises—by Chen Qingtai [7115 3237 3141], deputy head of the State Commission for Foreign Trade and Economic Cooperation**

Correctly appraising the development of state-owned enterprises and the basic situation of development, and understanding the current production and operational situations of state-owned enterprises are of very great importance in the formulation of correct macroeconomic decisions.

**1. On the problem of enterprises partially or completely halting production.**

In the process by which state-owned enterprises are changing their operational mechanisms and establishing modern enterprise systems, some enterprises have difficulties of one sort or another, though the overall situation is good. According to comparable statistics, from January to April this year, the gross output of state-owned industrial enterprises grew by 4.7 percent. In April, the growth figure over April 1993 was 5 percent. We have not observed the situation of wide-scale partial or complete production stoppage by state-owned enterprises which it is rumored has occurred. According to a

survey conducted in 16 provinces and cities, the number of enterprises that have stopped production or are not working to full capacity is about 10 percent of the total. Only about 4 percent have stopped production. In Beijing Municipality, according to statistics of the Beijing Municipal Labor Bureau, 317 enterprises have halted production either partially or completely. This constitutes only 2.2 percent of the total number of enterprises in Beijing Municipality, and represents only 2.13 percent of the total number of staff and workers. Following the passage of time, some of the enterprises that have partially or completely halted production have resumed their normal operations. Of the total number of enterprises that have halted production either partially or completely, a fair number stopped production quite a long time ago. Only 23 percent of those that have stopped production either partially or completely did so in 1994. Furthermore, the majority of the enterprises that have stopped production either partially or completely are medium-sized or small enterprises. The number of enterprises involved is not insignificant, but the output value involved is quite small. Viewed from the angle of industrial distribution, most of the enterprises involved are in the coal and textiles industries, and the majority have long had historical millstones.

We believe that there are the following several reasons for the partial or complete stoppage of production: 1) Insufficient raw materials. For example, a poor harvest of cotton will affect production by textile enterprises. 2) Surplus production capacity. For example, in recent years, color television, refrigerator, and bicycle enterprises have had surplus production capacity. 3) Pummeling by imports. For example, there has been quite a great amount of steel and petroleum imported. 4) Products do not meet any demand, and the products have no markets. 5) Funds are not available in a timely way, and thus the enterprises lack circulating funds. As far as Beijing is concerned, those enterprises that have halted production either partially or completely as a result of shifts or structural readjustment during the process of changeover from the old to the new system, constitute 31.7 percent of such enterprises. Another 35.5 percent have been affected by poor operational management. Those that have been affected by lack of market for their products and serious stockpiling total 13.7 percent of the total, while 17.1 percent have stopped production either partially or completely as a result of lack of circulating funds. A number of enterprises also were affected by state industrial policies, the readjustment of enterprise organizational structures, and urban transformation and transfer policies, and were required to "close down, stop production, merge, or change production."

**2. The problem of the shortage of circulating funds.**

A shortage of funds is a problem that is widespread in developing countries, and is also a medium- to long-term difficulty faced in our country's economic development. In the first quarter of this year, 9.503 billion yuan was newly issued by banks as industrial circulating funds. This was 1.914 billion yuan more than during the same



period last year. The increase in circulating funds is a fact, and the shortage of circulating funds is also a fact. The main reasons for the shortage of circulating funds are: First, the distribution of credit is not completely rational, and the proportion which circulating funds constitute in total credit is quite low, while the proportion assigned to fixed-asset investment is quite high. Second, some fixed-asset investment has not been forthcoming, and there are many projects that have not had investment funds made available. Thus, circulating funds are employed to make up the fixed-asset credit shortfall. Third, some enterprises blindly seek output value, and produce blindly. The production-sales rate for their products declines, and credit issued to them cannot be recovered. This results in enterprises falling into arrears. In resolving this problem, we can rely only on strictly controlling the scale of fixed-asset investment, and must guard against the expansion of consumption funds. At the same time, with respect to those products that do not have markets, we must firmly implement the principle of "restricting production, reducing stockpiles, and promoting sales." The State Council already has decided that the comprehensive departments will take prime responsibility, and together with banks and other relevant departments, will organize the sorting out of mutual debt among enterprises. Through the efforts of governments and enterprises at all levels, the problem of shortage of funds in some enterprises gradually will be resolved.

### 3. The problem of enterprise losses.

Since the first quarter of this year, enterprise losses have increased continually. In the first quarter, the realized profits of state-owned enterprises within the budget were down 42.4 percent as compared with the same period last year, and loss-makers reached 49.6 percent of the total. Through serious investigation and analysis, we believe that the major reason for the enterprise losses is that, beginning in July last year and in order to accord with the needs of a socialist market economy structure, state-owned enterprises implemented the "Enterprise Financial Regulations" and "Enterprise Accounting Standards," and implemented the manufacturing cost method, so as to tie in with the international accounting system. Owing to these basic changes in cost-accounting practices, some of the costs that previously were paid from enterprise profits—such as interest on long-term loans, newly added credit, newly added wages and bonuses, and so on—were included in costs. At the same time, in order to speed technological transformation, enterprises were permitted to raise depreciation rates for equipment. These stipulations were beneficial to expanding enterprises' operational autonomy and to their long-term development. Although these factors have produced a reduction in book profits of enterprises—which resulted in the status of some enterprises changing from profit-making to loss-making, or from hidden losses to open losses—the amount of funds that actually could be used by enterprises increased. According to Ministry of Finance statistics calculated on

a basis comparable to the same period last year, from January to March this year the increased costs of enterprises—as a result of increased retention for depreciation and expenditure on fixed-asset credit interest, bonuses, welfare and education—totaled 11 billion yuan. Furthermore, the book profits they realized were 8.1 billion yuan, more than 50 percent up on the profits realized in the same period last year. From this we can see that if we calculated in the same way we did last year, the level of profits of state-owned enterprises this year not only did not decline, but actually increased. The range of loss-makers (including both obvious loss-makers and hidden loss-makers) did not expand, but was reduced. It also must be pointed out that the range of loss-makers is calculated on the basis of the number of enterprises. The majority of the loss-making enterprises are small and medium-sized enterprises. While their numbers may be great and the proportion they constitute high, the absolute size of their output value and their losses is not great.

As to the difficulties state-owned enterprises now meet in their development, we must analyze them correctly. We must neither overstate nor underestimate them. The reform and development of small and medium-sized state-owned enterprises will require a process over time. No essential changes have occurred between last year and this. It is just that the contradictions (hidden losses) that had been concealed in the past were brought to light by the new financial accounting system. The bringing to light of these problems is beneficial to focusing on and resolving them. This is a step forward.

In resolving the problems of state-owned enterprises, we must set to work in the following four areas: First, we need to handle properly and correctly the relationships among development, stability, and controlling inflation. We must adopt microeconomic measures, guard against major fluctuations, and create a quite relaxed environment for enterprise development. As for the problems now being experienced by state-owned enterprises, we must look at them individually and apply the right medicine to specific problems. The State Council has carried out a readjustment of credit policies with respect to industrial enterprise circulating funds. The banks can give credit support to those enterprises that have markets and that perform well. Even with respect to loss-making enterprises that have heavy debts, credit still can be provided for the circulating capital needed to produce those products that have ready sales avenues and that will be able to repay the credit. However, no credit support can be provided for the production of those products that are stockpiled and have no buyers.

As for the basic livelihood expenses of the staff and workers of enterprises that cease production, when the social security system is unable to deal with them, banks can give credit assistance. However, local governments also must provide financial subsidies, so that the two sides jointly safeguard social stability. As for those enterprises that have long incurred debt and have no hope of reversing their losses, bankruptcy proceedings

should be initiated in accordance with the "Bankruptcy Law." This should be done in experimental points first, and the practice can be expanded later. Second, it is necessary to further implement the "Regulations," transform operational mechanisms, and speed up the establishment of a modern enterprise system. This is the focal point of the current economic reforms. Third, we must speed up the structural readjustment of enterprises. In accordance with the patterns of a socialist market economy, at any time there will be some enterprises being established and others going bankrupt. This is normal. It is impossible to have 100 percent of enterprises functioning well. Only through the continual optimizing of asset inventory deployment will it be possible for enterprises to accord with changes in the market and improve their competitiveness. At present, we must grasp the beneficial opportunity and carry out structural readjustment in a focused and step-by-step way. Fourth, we must study the deep-level problems of enterprises. A modern enterprise system provides a carrier for transformation of the enterprise operational mechanism, and it has major significance in forming a base for the socialist market economy. However, we cannot rely solely on this to resolve all the problems of enterprises. For example, to readjust the structure, it is necessary to have channels for the injection of capital funds. In this respect, there is one point worthy of reflection. Beginning in 1983, the state no longer injected circulating funds into state-owned enterprises. Subsequently, it no longer injected technological transformation and capital construction funds. This blocked the avenues of capital injection for state-owned enterprises. According to statistics, the asset/liability ratios of state-owned enterprises in 16 cities in our country is 70.3 percent. In a situation of lack of capital, in which products are backward, technology is backward and equipment is outdated, such a high asset/liability ratio makes it difficult for many enterprises to stand up and begin to operate well. Thus, on the one hand, we must accelerate the structural reform of enterprises and achieve the optimized deployment of asset stocks, while at the same time, we must study how to resolve the problem of capital injection. We also must pay attention to the coordinating of enterprise reforms. There are conditions for enterprises to enter the market, and the delay in coordinating reforms has meant obstacles to enterprises entering the market. For example, enterprises must realize a separation of government and enterprise functions, but the reform of government organs has not reached a stage where this is possible. It is also necessary for enterprises to clarify property rights relationships, but for the moment it has been difficult to clarify which are the organs that represent the owners of the assets used by the enterprises. It is also necessary for enterprises to readjust their organizational structures, but a standardized property rights market has not yet been formed. They also must strengthen technological transformation, but the financing channels still are not clear. They have to get rid of their irrational historical debt, but there are no sources for capital injection. It is necessary to change the situation in which enterprises carry out social functions, but society still does not have

the capacity to take on these functions. Enterprises have to get rid of the millstone of surplus personnel, but the social security systems are still incapable of taking on responsibility for these people. The enterprises need to reduce the burden of retired staff, but no one knows where the funds for their old-age pensions will come from.... In short, it is necessary to clear the channels linking enterprises and the market. This requires that all departments work in concert, coordinate, and truly deepen reform.

**Properly Bring Into Play the Superiorities of State-Owned Enterprises—by Cui Zhicai [1508 1807 2088], manager of the Shijiazhuang No. 2 Printing and Dyeing Mill**

The most basic superiority of state-owned enterprises is that they are able to fully mobilize the enthusiasm, initiative, and creativity of the broad masses of staff and workers. How to bring into play this superiority is an extremely important issue in establishing a modern enterprise system.

Our establishing of a socialist market economy system is an unprecedented historical change. In the end, whether or not this reform will be successful will depend on the masses. Thus, regardless of how deeply enterprise reform is carried out, it is still always necessary to uphold the party's mass line, uphold the basic principle of relying wholeheartedly on the working class, and rely on the wisdom and strength of the masses of staff and workers to overcome the difficulties and resolve problems. In the less than 10 years since 1985, the No. 2 Printing and Dyeing Mill has been able to develop from a loss-making, backward enterprise into one of the economically powerful enterprises of Hebei Province. It has annual profits and taxes of millions of yuan, has increased the value of its assets 2.1 times, and its staff and workers have seen average income increases of 4.7 times. A major reason for this is that it has always followed the basic guiding principle of relying wholeheartedly on the working class, doing everything for the masses, and relying on the masses in everything. Within the mill, all important matters are fully detailed to the staff and workers, and the operational situation of the mill is fully explained to them. Things that affect the personal interests of the staff and workers are discussed with the staff and workers, those things that affect everyone are dealt with by everyone, and the staff and worker masses engage in supervision.

In major planning for production operations, we rely on the staff and workers to put forward ideas and think of appropriate measures. We have a clear ideology for running the mill: "Above, making contributions to the country, and below, seeking welfare benefits for the staff and workers." All aspects of work have this idea as their point of return. In this way, the masses of staff and workers are able to contribute to reform, as well as to benefit. The broad masses of staff and workers understand this and are clear about it. Thus, together, they put all their efforts into their work and think of all sorts of

ways to raise efficiency. They are willing to share the glories and troubles of the enterprise. As General Secretary Jiang said in a reply to the whole body of staff and workers of our mill: "Wholeheartedly relying on the working class and the masses is where the strength of our party lies." If we divorce ourselves from this basic understanding, we will divorce ourselves from our base and we will become divorced from China's national situation.

By truly relying on the working class, we have been able to raise efficiency and to win the people's hearts. In a word, whoever grasps and implements this principle will gain the benefits. In order to truly implement the principle that the staff and workers are masters, we have carried out some exploration in practice.

1. We have strengthened the staff and workers congress system, so as to ensure that the staff and workers congress represents the staff and workers in fact, as well as in name. The staff and workers congress is the basic form of the system of enterprise democracy, and it is the basic avenue for realizing the idea that the staff and workers are masters. Sometimes, however, we overlook this, and sometimes even forget and ignore it completely. In our mill, the five powers of the staff and workers congresses are implemented in their entirety, and we have expanded the congress' deliberation and decision powers, as well as its electoral powers. It now can directly reward or punish, and dismiss or appoint the mill manager. In the mill, the leaders at or above the middle level all are subject to the staff and workers congress in that they can be asked for explanations, are appraised, and are subject to votes of confidence. Those who do not gain 50 percent in a vote of confidence are removed from their posts. Those who do not obtain 60 percent approval ratings are given "yellow card" warnings. Those who have confidence ratings of 95 percent or above are reappointed and given bonuses. What the staff and workers congress decides cannot be changed arbitrarily by anyone. All topics for discussion and all proposals that are to go before the staff and workers congress are handed over to the staff and workers first so they can fully discuss and amend them before the meeting. Anything the staff and workers are unable to understand immediately or on which they have differing opinions, will not be passed forcibly.

2. We have established an effective staff and workers supervisory system. We have handed the supervisory power at all levels over to the masses of staff and workers, so as to ensure that cadres at all levels are diligent and honest in their administration. We have experimented with an effective form by which the staff and workers congress democratically elects a standing presidium, the members of which—apart from the discipline committee secretary and the trade union chairman, who are proposed by the party committee—are all front-line workers. The staff and workers congress standing presidium is a permanent organ that, in accordance with the law, exercises the various powers of the

staff and workers congress when it is not in session, and supervises the daily activities and production operations of leaders at all levels.

The staff and worker masses are allowed to elect the mill manager democratically. The three systems reforms began with the staff and workers electing the mill manager democratically. A mill manager needs courage. Here then we have the issue of whether or not the staff and workers are to be trusted, and whether or not we dare to rely on the masses of staff and workers. I believe that a system in which the mill manager is elected by the staff and workers and then is approved by the upper levels, firmly upholds the principle of the party managing cadres and also upholds the party's mass line. This is a good form, as well as an effective avenue for achieving the separation of government and enterprise functions.

By seeing the staff and workers as masters, we are giving play to the special characteristic of socialist enterprises, and this allows us in different market conditions to create high efficiency and realize high performance.

1. It is necessary to uphold the principle of distribution according to work. Distribution of benefits is the system's base, by which to guarantee that the staff and workers are masters. At the current stage, if staff and workers are unable to improve their own lives through their labor, they will have no enthusiasm to speak of. Under the new reform conditions, it is necessary to slant benefits toward front-line staff and workers, toward scientific and technological personnel, and toward those who carry out harsh, dirty and arduous work. It is necessary to uphold the idea that rewards will depend on the type of work one does and how much work one does, and those who contribute the most will get the greatest bonuses. This will encourage workers to base themselves firmly in their own posts and to fulfil the duties of that post in order to become prosperous.

2. It is necessary to give great play to the spirit of respecting one's occupation. This "hand" must be firm. Without the understanding of the staff and worker masses, without the conscious actions of the staff and worker masses, and without a spirit of market consciousness and respect for one's occupation among the staff and worker masses, it will be very difficult for any state-owned enterprise to be run well.

It is necessary to foster and inculcate a consciousness among the the staff and workers of themselves as the most important element, and to create an enterprise atmosphere of positive stability. On the one hand, it is necessary to oppose the worship of money; on the other, it is necessary to firmly and justly uphold the principle of distribution according to work, so that the more one works the more one earns. It is necessary to advocate the spirit of arduous struggle and devotion, and it is also necessary to pay great attention to the material interests of the staff and worker masses. Leading cadres must have a spirit of self-sacrifice, and must take the lead and provide an example.



3. It is necessary to uphold the spirit of administering the mill strictly. Strict management and the status of the staff and workers as masters forms a unity. Without strict scientific management, the position of the staff and workers as masters cannot be consolidated. The aim of strictly administering the mill, strictly implementing labor discipline, strictly implementing technological systems, and strictly managing the workplace is to raise efficiency and improve benefits. The eventual aim is to have the staff and workers improve their own basic interests.

4. It is necessary to introduce innovations to the employment system. The employment system plays an extremely important role in stimulating the enthusiasm of the staff and worker masses. Our factory, under the precondition of a contract system for all personnel, has implemented a system in which "three types of employment" coexist. That is, there are life-tenure workers, permanent staff, and non-permanent staff. The new employment system, which already has shown its quite strong superiorities, has motivated and brought into play the great potential enthusiasm of the broad masses of staff and workers.

The "Regulations" give enterprises autonomy in 14 respects, and some people say that the factory manager's power has truly been increased. However, I feel that this power has been given to the staff and workers and that the burden of the factory manager now is even greater. One cannot engage in the market economy divorced from the masses of staff and workers. Only by completely relying on the staff and workers masses can an enterprise be run in an increasingly better way.

**At No Time Can We Ignore Agriculture—by Wan Baorui [8001 1405 3843], vice minister of agriculture**

There are very great differences between agriculture and the rural areas, and industry and the cities. When analyzing and assessing the situation of the agricultural economy, we must understand the following principles: 1) We cannot look only at production and the economic situation; We also need to look at the social situation. In particular, we need to look at how well the enthusiasm of the peasant masses and the grass-roots-level cadres have been brought into play. While analyzing production and the economic structure we cannot look only at grain and agriculture, but must look at the development situation of large-scale agriculture and urban and small town enterprises as well. We cannot look only at increasing production, but also need to look at increasing incomes. 2) We cannot look only at the short-term situation, but must look at the cycle—generally a period of two years. This is because agriculture is cyclical and has quite major fluctuations. 3) In looking at agriculture, we must not look only at agriculture; we have to look at the overall nation and the economy. For example, if there is a good harvest, prices will fall and this will lead directly to a reduction in peasants' income. This, however, may benefit cities and the overall national economy. Of course,

the occurrence of such a situation will presage a reduction in agricultural and non-staple products in coming years. In brief, we need to use an overall outlook, a long-term outlook, and a systematic outlook to analyze and assess the economic situation of agriculture and the rural areas.

Relying on the above-noted principles in analyzing the agricultural situation, we believe that, speaking overall, the situation in rural areas and in agriculture is basically good. However, there also exist some problems which cannot be ignored, and some of these problems are quite prominent: 1) The supply of some agricultural products has seen a trend toward tightness, and this has been manifested prominently in the quite large increases in prices at the agricultural product markets. Last year, as the strength of the price reforms was increased, together with the influence of the high-speed growth of the national economy, there was a strengthened demand in society for agricultural products. Prices saw a sustained rise. Over the year, the prices of agricultural products increased 13.4 percent as compared to the previous year. In particular, beginning in the last part of November, the prices of grain and "shopping basket" products in some areas of our country saw quite marked and rapid growth. Cotton has seen two successive years of reduced production, while edible oil and sugar supplies also have been tight. 2) The growth in peasants' income has been slow. Peasants' income has been wavering over the last few years. From 1989 to 1991, there was an average annual growth of 0.7 percent, and 1992 saw a 5.9 percent growth, but 1993 saw a fall back to 3.2 percent growth. Thus there was a further expansion of the differential between the incomes of urban and rural residents. 3) There was increased pressure for the transfer of surplus labor in the rural areas. At present, the number of surplus laborers in our country's rural areas is about 120 million, and each year in the future a further 13 million will be added. The insufficiency of employment in the rural areas has produced an increasingly serious "migrant worker tide." Last year, the number of floating peasant workers was over 50 million, and over 20 million of these travelled to other provinces to seek work. Other problems also exist, and these include long-insufficient agricultural investment, a sharp decline in cultivated land, the slow pace of scientific and technological advances, an incomplete agricultural service system, and the fact that the state has not yet established a macroeconomic regulatory and control system for agriculture.

Our country has a large population, and the problems of feeding and clothing everyone have always been major questions in economic development. Grasping agriculture well and doing well with respect to the "rice bag" and the "shopping basket" has an extremely important and basic role to play, not only in long-term national economic development, but also in smoothly promoting reform and maintaining social stability and prosperity.

Maintaining the effective supply of agricultural products requires the maintenance of stable agricultural development. This mainly involves grasping production in the two aspects of grain, cotton and oil, and "shopping basket" products. The basic idea for developing grain production is to stabilize the sown area, optimize the structure, improve quality, raise per-unit yield, and guarantee a balance in overall volumes and a balance between regions. The basic idea for developing cotton production is to restore the area formerly sown to cotton; raise per-unit yield; guarantee gross output; place stress on reviving the cotton-growing areas in Hebei, Shandong and Henan; stably develop the cotton-growing areas along the Changjiang basin; and positively develop cotton-growing areas in the western regions. The guiding idea in developing "shopping basket" products is first, to grasp basic production, and second, to grasp the building of markets.

In order to increase the incomes of peasants, we must develop the rural economy in an overall way. 1) On the basis of stably increasing grain and cotton production, we must stably readjust the structure of agriculture, powerfully develop "three high" agriculture, and improve the economic performance of agriculture. 2) Basing ourselves on the overall national land resources, we must strengthen the comprehensive development of agriculture, raise the production levels of medium- and low-output fields, and develop reserve resources. 3) We must strongly develop diversified operations, township and small town enterprises, and small towns, and must accelerate the transfer of surplus rural labor to these places, so that there is an ordered flow of labor to these urban areas and between regions.

In order to guarantee the realization of the two strategic tasks of stable growth in the effective supply of agricultural products and an increase in the incomes of peasants, the government must adopt the following policy measures: 1) It must rationally formulate grain and cotton purchase prices and gradually reduce the price scissors between industrial and agricultural products. 2) It must increase investment in agriculture and raise the comprehensive productive capacity of agriculture. 3) It must guarantee the supply of means of agricultural production, control the prices of the means of production, and firmly prohibit wild or arbitrary price rises. 4) It must establish grain risk funds. 5) It must, as swiftly as possible, send to top localities special credit implementation programs for supporting economic development in major grain- and cotton-producing counties.

**Do Well in Macroeconomic Regulation and Control, Stabilize the Commodity Market, by Ma Yimin [7456 3015 3046], vice minister of internal trade**

On the basis of the trend of market development and the arrangement of state economic and social development plans, our projection for the domestic commodity markets this year is that demand will see a great increase, the markets will see a gradual rebound, and the majority of commodities will see a basic balance between supply and

demand. For some important commodities, there will be a need for an appropriate volume of imports. The supply of agricultural and sideline products, as well as "shopping basket" products, will be a little tight and for some industrial consumer products there may occur a temporary, structural insufficiency of effective demand. It is predicted that the total retail sales of commodities in society will exceed 1,600 billion yuan, about 20 percent up on last year. The total social sales of means of production will reach 2,070 billion yuan, a growth of 18 percent. Over the year, the level of social commodity retail prices will grow by more than 10 percent.

On the basis of the current commodity market situation, we will continue to coordinate with the State Planning Commission and other departments in striving to maintain an overall balance between supply of and demand for major commodities, in engaging in macroeconomic regulation and control of the commodity markets, and in guaranteeing the basic stability of the market. First, we will continue to coordinate with the State Planning Commission in implementing this year's plans for the purchase, allocation, and distribution of major commodities, so as to guarantee the needs of key projects. In accordance with market guidance, we will guide the production enterprises to increase or limit production in a timely way. In addition, together with the State Planning Commission and other relevant departments, we will arrange the import of various commodities and will strive to ensure that the import of major goods and materials such as steel, copper, aluminum, grain, cotton, chemical fertilizers, edible oil and sugar is carried out in accordance with the plans. Also, we will do well in linking this with domestic demand in order to maintain a basic balance between overall market supply and demand volumes. Second, in many and diverse ways, we will guarantee the masses' "shopping baskets" and "rice bags," and will guarantee both supply and basically stable prices. State grain departments and commercial departments will continue to play their role as major channels for regulating the market, will arrange purchase and supply work well, and in particular will guarantee food grain supplies to border, distant and poverty-stricken areas, disaster areas and depot areas [ku qu 1655 0575]. While continuing to arrange urban and rural market supplies well, it will be necessary to make preparation for the appearance of panic-purchasing. We also will guarantee the supply of agricultural means of production and will further perfect the agricultural service system.

Third, we will do well in the work of supplying the means of production and will strive to guarantee the production and construction needs of key state projects. We will guarantee the needs of key project construction, especially national-level projects such as the Three Gorges Project, the Beijing-Kowloon railway project, and national defense and military industry projects. Within the scope and number of goods ordered by the state, we will continue to actively support the production needs of those enterprises that accord with the state's industrial policies and have good economic and social results.

Fourth, we will grasp well the reform of circulation enterprises. We will actively explore effective avenues for company system reform, reorganize the commodity wholesaling system, and gradually establish a socialized, modern and diversified wholesaling network, which will be better able to bring overall benefits into play. We will put efforts into developing a number of medium-sized and large circulation enterprise groups and comprehensive commercial agencies which have trading as their main activity and which combine trade, industry, agriculture, technology and finance, so as to expand the operational scope of enterprises. We will organize the establishment of one or two transregional Chinese-foreign joint-equity chain-stores, and will establish a national chain-store for grain. We will continue to carry out reform of small-scale state-owned circulation enterprises through transformation, transfers, leasing, contracts, sales, bankruptcies, or mergers.

Fifth, we will strengthen the building of commodity markets. We will carry out planning for national commodity markets, and as quickly as possible, will formulate a "Planning Program for Building National Commodity Markets." We must grasp tightly the building of national and regional markets for major commodities, and must transform and improve a number of national and regional markets for means of production and means of livelihood. We need to strengthen the building of a market legal system, and together with relevant departments, must grasp the formulation of "Provisional Measures for the Management of Wholesale Markets."

Sixth, we will do well in macroeconomic regulation and control. We will establish a complete reserve system for major commodities, grasp the establishment of market risk funds, and accelerate the establishment of grain risk funds and major non-staple foodstuff price regulation funds. We also will explore the establishment of risk and regulatory funds for major means of production and will strengthen regulation and control of the import and export of major commodities. At the same time, we will actively expand opening up to the outside.

**Strive To Ameliorate the Imbalance Between Budgetary Revenue and Expenditure—by Xiang Huaicheng [7309 2037 6134], vice minister of finance**

From the implementation of the state budget over the past four months, we can see that the fiscal and taxation reform is generally on course and that China has basically achieved a smooth transition to the new fiscal and taxation systems. This observation is made mainly on the following grounds: First, the new fiscal and taxation systems have not affected the development of production or the circulation of commodities; second, the taxation reforms have not led to major price fluctuations; third, revenue growth has been maintained; and fourth, no major mishap has occurred in the implementation of the new taxation system. Since the fiscal and taxation reforms were introduced after only a short period of preparation, not every special case or problem

that existed between individual departments and industries was taken into account. Thus, at the beginning of this year, we spent about three months making the necessary readjustments, so that problems in the reform plan could be addressed promptly in the course of implementation. Practice has proven that the direction of the fiscal and taxation systems is correct and that the reform blueprint is a feasible one.

Between January and April this year, fiscal revenue maintained a high rate of growth, with a 22 percent increase over the same period of last year, basically on par with national economic growth. Expenditure showed an increase of 23.7 percent over the same period of last year. On balance, there was a surplus of over eight billion yuan.

However, some of the problems present in the operation of the fiscal economy also deserve our attention.

First, fiscal imbalance is becoming increasingly pronounced and the fiscal situation does not look very promising. The fiscal income projected by the latest statistics includes many non-comparable and extraordinary factors, and therefore cannot be taken as the development trend for the whole year. Based on an analysis of the problems latent in the implementation of the state budget for the year, I am inclined to think that the fiscal situation will be quite grim this year. In terms of revenue, although there has been a substantial increase in the past few months, a fair portion of the amount will have to be deducted or reimbursed later in accordance with existing policies. Second, in order to raise the reimbursement base figure for the revenue-sharing system, some localities resorted to irregular practices in the last four months of last year, such as taking out bank loans to pay taxes in arrears, with the result that two-thirds of the revenue for the whole year was collected in those four months. In addition, the fact that revenue collected in the first four months of last year was relatively little makes this year's growth seem particularly high. Third, since some of the new taxes originally planned for this stage of taxation reform have been withheld, that part of revenue will not be forthcoming. Based on these factors, revenue growth gradually will slow down over the next few months, particularly in the second half of the year. In the fourth quarter, there is likely to be a drop in growth rate owing to last year's high revenue base figure. Some localities may even experience negative growth in certain months. In terms of fiscal expenditure, the pressure of budgetary expenditure is expected to grow steadily. Expenditure for major projects and the increase in spending following the unification of exchange rates together spell a substantial increase in mandatory spending this year. In the wage reform that began at the end of last year, actual wage readjustment often exceeded the prescribed limits. This also has produced quite an impact on fiscal income and expenditure.

In view of the current situation, I think that it is still necessary to stress the concepts of keeping the whole



situation in mind, and of plain living and hard struggle, and to conscientiously implement the guidelines of the party Central Committee and State Council on fiscal and taxation reform. The fiscal administration must strive to increase revenue, improve the fiscal system, strengthen budgetary constraints, and truly abide by the law in the management of fiscal matters. Only in this way can we ensure the normal operation of the new fiscal and taxation system, ameliorate the growing fiscal imbalance, and create the necessary conditions for the establishment and operation of the socialist market economy system.

**It Is Necessary To Give Full Scope to Financial Institutions in Macroeconomic Regulation and Control—by Dai Xianglong [2071 4161 7893], vice president of the People's Bank of China and deputy secretary of the bank's Party Group**

China's financial establishments have made great strides forward in the course of reform and opening up since the Third Plenary Session of the 11th CPC Central Committee. The People's Bank of China has become the central bank and has been able to carry out macro-control through various means, such as deposit reserves, interest rates, credit limits and relending of funds. New financial institutions also have been established one after another. By the end of last year, there were 13 banks, 20 insurance companies, 391 trust and investment companies, 51 finance companies, 13 leasing companies, 88 securities companies, and over 60,000 agricultural credit cooperatives and 4,900 urban credit cooperatives. Financial instruments such as treasury bonds, enterprise bonds, transferable certificates of large deposits, financial bonds and shares have been put into effective use, and efforts have been made to open up and develop financial markets.

The interbank lending market gradually has been perfected in the course of readjustment, the Shanghai and Shenzhen Stock Exchanges have achieved networking with stock markets in medium-sized and large cities throughout the country, the gold purchase price has basically been brought to international price levels, and a foreign exchange market gradually has been established. The financial markets are opening wider to the outside world. At the end of 1993, there were 98 foreign banks and business operations, and 302 representative and administrative offices on the mainland. The number of Chinese banks and insurance companies setting up overseas branches, subsidiaries and representative offices is on the rise, and there are growing ties between Chinese and international financial institutions.

Today, financial institutions have become important tools of the state in the exercise of macroeconomic regulation and control, and they have become the major channels for the pooling and distribution of production and construction funds. At the end of March, the outstanding credit balance of banks and of urban and rural credit cooperatives was 3,036.9 billion yuan, with bank loans accounting for over 85 percent of the circulating

funds of enterprises, while the deposit balance was registered at 2,871 billion yuan. Personal savings by urban and rural residents totaled 1,662.7 billion yuan, and personal financial assets totaled about 2,700 billion yuan.

While ensuring the smooth progress of the financial reforms, the financial departments also have conscientiously implemented this year's financial work policies, kept the total amount of credit under strict control, and promptly regulated credit for circulating funds in order to support the healthy development of the economy. Macroeconomic regulation and control through financial means have yielded good results again, and the financial situation is on course for smooth and healthy development. The following are some of the manifestations of this situation:

First, the withdrawal of cash from circulation has been better than expected. Between 1 January and the Spring Festival this year, the net amount of cash released nationally totaled 140.46 billion yuan. By the end of March, the cash released prior to the Spring Festival all had been withdrawn from circulation. The net amount of cash withdrawn from circulation between January and April was 5.1 billion yuan, while the net amount of cash released over the same period of last year was 37 billion yuan. Withdrawal of cash has been satisfactory primarily because of a substantial increase in savings deposits among urban and rural residents. Between January and April this year, savings deposits in state banks increased by more than 150 billion yuan, over 100 billion yuan more than in the same period last year.

Second, enterprise deposits have seen a rebound and there has been an acceleration in bank lending activities. Between January and April, bank deposits of various types grew by over 260 billion yuan, over 120 billion more than in the same period of last year. Of this amount, enterprise deposits grew by 103.4 billion yuan, 13 billion yuan more than in the same period last year, suggesting that the cash shortage experienced by some enterprises had begun to subside. Loans of various types grew by 75.7 billion yuan, 36 percent more than in the same period last year. Moreover, lending has seen a month-on-month increase, growing by 30 billion yuan in March and by 40 billion yuan in April. The cash position of state banks is relatively relaxed. By the end of April, the central bank had recovered a net amount of 40 billion yuan which it had lent to the specialized banks. The deposit reserve ratio of state specialized banks has been raised to 11.3 percent.

Third, sales of state treasury bonds have been steadily on the rise. By 24 May, sales of two- and three-year state treasury bonds totaled 63 billion yuan, representing 75 percent of the total issue task for the year.

Fourth, foreign exchange reforms have seen smooth progress, and there has been a considerable increase in state foreign exchange reserves. The renminbi exchange rate is now fixed at about \$1 to 8.6 yuan. The interbank

foreign exchange market is operating well, and foreign exchange swap markets for the three types of foreign-funded enterprises are improving.

Money and credit turnover has been basically normal, but the future does not look too rosy, mainly because inflationary pressure remains strong, the scale of fixed investment remains over-extended, prices are still going up, consumption funds are expanding rapidly, and—according to bank statistics—wage and personal cash expenditure was up by 39.9 percent in the first quarter. These problems have combined to produce a strong demand for the relaxation of money supply in the financial sphere. At present, state enterprises are undergoing a transformation in management mechanism and are developing in the right direction, but many difficulties remain. Between January and April, state industrial enterprises registered a low 5 percent growth in production. There are many reasons for this low rate of growth. Some enterprises have performed well and have seen rapid development; these have been turned into shareholding enterprises. Some heavy industrial enterprises are undergoing normal readjustment of production speed because of a decline in fixed-asset investment. Some market-oriented enterprises are cutting back their production in response to market needs. Some military, forestry, and textile enterprises have suspended production or have been operating below capacity for reasons other than the shortage of funds. Thus, it is wrong to say one-sidedly that money supply should be relaxed because there has been a slowdown in the pace of production. At present, it is necessary to continue with the policy of controlling the total amount of credit and to make appropriate readjustments in the credit policy. It is also necessary to exercise strict control over fixed-asset loans.

As for circulating fund loans, it is necessary to abide by the state's industrial policies and the lending principles of banks, and to apply different lending principles to different enterprises. It is necessary to distinguish, for example, between enterprises that are performing well, enterprises that have reversed their losses, and enterprises in those trades that are faring poorly, in order to increase the supply of essential products on the market. It is also necessary to ensure the supply of funds needed for the purchase of grain, cotton, and oil by the state. The fundamental reasons for the shortage of funds in enterprises include the over-extended scale of capital construction, the rapid expansion of consumption funds, the serious over-stocking of products, and unauthorized price hikes for certain products, as well as growing deficits by enterprises and dwindling enterprise funds. In order to ease the shortage of circulating funds, it is necessary to continue to implement the state's macro-economic regulation and control measures and to allow the banks to increase their circulating fund credit appropriately.

**Taxation Reform Is an Important Condition for Promoting Economic Development—by Yang Chongchun [2799 1504 2504], deputy chief of the State Administration of Taxation**

The industrial and commercial taxation reform being carried out this year is the largest and most extensive structural reform since the founding of the PRC. It involves a great deal of difficulties, but the new taxation system has been running smoothly since its introduction on 1 January this year. Most of the problems that have arisen have been resolved or are being resolved. We may say that in the main, a smooth transition from the old taxation system to the new has been achieved.

The basic principles for the present taxation reform may be summed up as "standardization of taxation methods, fair distribution of tax burdens, simplification of the taxation system, and rational decentralization of power." To begin with, it is necessary to establish standardized taxation methods. A socialist market economy needs a unified national market and standardized taxation methods to handle problems of tax levying. Chinese taxation methods have never been standardized, and disparities of one kind or another have occurred in the course of implementation. This is not conducive to the formation of a unified market. Second, it is necessary to achieve a fair distribution of tax burdens. Fair competition is an important condition for the development of a socialist market economy, and it is impossible to have fair competition and normal economic development if tax burdens are not distributed fairly. Thus, the taxation system must reflect the spirit of fair competition. Our former taxation system contained aspects that were not conducive to fair competition among enterprises. The present taxation reform embodies the spirit of fair distribution of tax burdens. For the value-added tax, a model with a basic tax rate of 17 percent and a 13 percent low tax rate has been adopted; for the enterprise tax, a 33 percent proportional tax rate now applies. The new taxation system mainly involves structural readjustments, with the tax burdens of taxpayers generally remaining unchanged. Third, it is necessary to simplify the taxation system. For various reasons, the former taxation system was somewhat over-elaborate. In the present drive to simplify the system, the number of tax categories has been reduced from over 30 to 18. Even if the three tax categories of tariffs, agricultural tax and tax on agricultural, forestry and special products are included, the new system is still relatively easy to implement. Fourth, it is necessary to have rational sharing of power. In the past, we advocated the standardization of tax laws and centralization of taxation power. Today, we still advocate the standardization of tax laws, but we are now in favor of the rational decentralization of taxation power. Following the establishment of the revenue-sharing system, 100 percent of the consumption tax, 75 percent of the value-added tax, 100 percent of tariffs, and 100 percent of the consumption and value-added taxes levied on imported goods will become the main source of the central government's

fiscal income. All income tax collected in several industries, such as railways, banking and posts and telecommunications, also will be turned over to the central government. Export tax rebates also will go to the central government. Other than these, all tax levies will be at the disposal of the local authorities. Although a system of revenue-sharing has been introduced, the methods of taxation will remain standardized. There will be rational decentralization of taxation power, so that the local authorities will be able to act flexibly.

On the whole, this year's taxation reform has not given rise to major price fluctuations. The new taxation system specially takes into account items such as grain, cotton, meat, eggs, poultry, and milk which have a vital bearing on the people's everyday life, and extends preferential treatment to many types of agricultural means of production to show the party's and government's concern for the well-being of the people and for agricultural production. With tax revenue going up by 29.2 percent over the January-April period, the future looks good. The principal reason for this revenue growth is that with production picking up again, temporary tax exemption and remission for those in need have been halted, thus reducing revenue loss. In addition, some of the preferential taxation policies have not yet been put into force, and some levies that should have been returned to localities have not yet been returned.

Since the new taxation system has been in force for only four months, the achievements made should be seen as tentative. There are still problems and contradictions. We should give them sufficient attention and resolve them in all seriousness. As a part of the reforms aimed at a standardized distribution system, the positive role of the taxation reform is becoming increasingly manifest. This is of great significance for the sustained, rapid, and healthy development of the national economy.

**Do a Good Job of Price and Monetary Control—by Yang Peixin [2799 1014 2450], researcher of the Development Research Center under the State Council**

The key to stabilizing prices and strengthening macro-economic regulation and control lies in two areas. One is money and credit control, and the other is prices and market management. Attention now has been paid to monetary and credit control, but price and market control has been too lax. Prices have skyrocketed because every department is taking its own deregulation measures.

According to monetarist economists, inflation is a monetary phenomenon. They believe that after monetary control is in place, all price restrictions can be lifted. Harvard University's Professor Sachs proposed "shock treatment" for Russia and Poland. Based on this approach, prices should be completely deregulated and allowed to soar and spiral unchecked. After the throes of deregulation and after the repressed potential of inflation has been completely released, the national economy

will automatically move onto the track of normal development. After adopting this approach, the Russian economy collapsed. Prices skyrocketed and the masses were stripped of their power to buy. As people could not afford to buy, production came to a standstill. This theory also has had its impact on China. In 1988, we put forward the following proposal for price reform: Except for a few commodities that will continue to be priced by the state, the majority of commodities should be deregulated, and reform measures should be introduced as soon as possible. This measure led to panic-buying. Even now, some comrades still believe that price reform should be completed as quickly as possible. Today, price restrictions on 90 percent of agricultural products, 90 percent of retail goods, and 85 percent of capital goods have been lifted. In the West, about 20 percent of commodities are under state control. The extent to which prices are deregulated in our country is by no means lower than that in developed countries. Obviously we have gone too far in deregulation and have been too lax in price control.

As I see it, inflation is not a monetary phenomenon, but a comprehensive reflection of the national economy. Some people say that price hikes resulting from price deregulation or planned readjustment cannot be taken as inflation. In my opinion, whether they be demand-fed price hikes resulting from the overissuance of money, or the upward readjustment of prices forced down during a period of suppressed inflation, the outcome is the same—a devaluation of the renminbi—and the people have to suffer. All these price hikes are inflationary. Thus, it is necessary to exercise strict control over price deregulation and keep it within tolerable limits in order not to infringe on the public interest. During an interview with Schneider, Chairman of the "Committee of Wise Men" of the Federal Republic of Germany, in 1986, I asked him how prices were deregulated in Germany. He said that the process took nearly 30 years. In the monetary reform in 1948, the amount of money in circulation was cut to six percent, after which the prices of industrial consumer goods were deregulated. However, the food ration system was not abolished until 1951, and even now food prices are subsidized both by the German Government and the European Community. As steel, coal, petroleum, and electricity all were in short supply, prices were not deregulated until 1956, when a balance was struck between supply and demand. As for rent, controls were not lifted until the 1980s, when each household had at least a one-bedroom unit. I think the German practice is worth learning from.

After price deregulation, it does not mean that all will be well. It will still be necessary to regularly carry out price regulation and control. This kind of market regulation and control is a very complicated and subtle task, and requires much greater professional standards and regulatory and control skills than during the planned economy. Thus, we need to strengthen the price control organizations. Price control organizations have the power to forecast and calculate the results of relevant measures



taken by various departments, coordinate the measures of various departments, and even to veto any of these measures. As there is a large scissors differential between industrial and agricultural prices, it is necessary to lift price restrictions on industrial and agricultural products gradually over the next few years. Timing and opportunity are important. We cannot be over-hasty or let things take their own course. We must not only control the prices of grain, cotton and oil, but must control their reserves, import and export and regulatory funds. We also must control the production, pricing and subsidizing of agricultural means of production (such as chemical fertilizers and agricultural chemicals). Price subsidies by the fiscal departments cannot and should not be abolished. Even now, food, coal and transportation are subsidized in Germany. If we fail to carry out price regulation and control promptly, and fail to conduct the work meticulously, we will be put into a passive position that will adversely affect economic stability.

**Controlling Inflation—by Wei Xinghua [5898 5281 5478], professor of economics, Chinese People's University**

On the basis of two consecutive years of highly geared growth in 1992 and 1993, our national economy has been able to maintain the momentum of rapid growth this year. The highly geared growth in 1993 was realized on the basis of highly geared growth in the previous year. More specifically, it was realized on the basis of a slowdown resulting from the strengthening of macroeconomic measures in the second half of the year. Such a high rate of growth is considered too high under existing conditions, as it gave rise to a number of well-publicized and glaring contradictions and problems in our economic life last year.

Particularly well-publicized was the extent of price rises that affected the livelihood of the broad masses. The general retail price level rose by 13 percent, the same as the economic growth rate. The cost of living index in 35 medium-sized and large cities rose by nearly 20 percent, and people had to pay over 38 percent more for services.

Faced with the economic situation in 1993, the central government adopted "soft-landing" measures aimed at controlling overheating in certain areas while maintaining high-gear economic growth and strengthening macroeconomic regulation and control. These measures have produced notable results, but it may take longer than expected for these "soft-landing" measures to be translated into reality. In particular, it is unlikely that the high rate of inflation can be substantially reduced in the near future because high inflation forms its own inertial force and will continue at the same or a similar rate for a while. Moreover, since the economy is expected to grow at about 10 percent in 1994, and the glaring contradictions and problems in our economic life have not been eradicated completely, the inflation rate is likely to continue to escalate in 1994.

In the first quarter of 1994, the general retail price level rose by over 20 percent compared with the same period last year, with the cost of living index in 35 medium-sized and large cities soaring by more than 24 percent. The linked index was as high as 3.6 percent in January, falling slightly to 3.3 percent in February. In March, thanks to price control measures taken by the central government, there was a slowdown in growth and the linked index dropped to 0.9 percent.

If, at a time of inflation, all prices, wages and interest rates are adjusted at the same rate, no one's interests will be harmed. In reality, however, things change at different rates. Relative prices will change and it is unlikely that wages and interest rates can be adjusted at the same rate. This will lead to two results: First, there will be a redistribution of income and wealth among various strata. The economic interests of the salaried class and other fixed-income classes will be jeopardized, and profiteers and speculators will benefit. Second, different rates of growth for different commodities will result in a distortion of relative prices and output, which will lead in turn to an imbalance in the deep structure, as well as economic chaos. In short, as far as China is concerned, a high rate of inflation will not be conducive to the sustained, rapid, and healthy development of the national economy, or to the course of reform.

Thus, effectively controlling inflation is an important task in our economic work.

How to bring about the unity of rapid economic growth and a low rate of inflation is an important issue. According to our current national strengths and existing conditions, if the annual economic growth rate can be kept at the 9-10 percent level over the next few years, it would be ideal if the rate of inflation could be controlled at a level of 5-6 percent a year. This level can be realized if we try. Seen from the current economic situation, in 1994 gross domestic product may exceed 10 percent, and the rate of inflation is unlikely to be kept under 10 percent and may reach or approach 13 percent. If we can do a good job in the first half of this year, and if we are able to reduce economic growth rate by two percentage points and not exceed last year's inflation rate, it is unlikely that there will be major problems in economic operation. If we continue to one-sidedly pursue high economic growth regardless of our national strengths, or even greatly exceed last year's growth rate, there will be contradictions and problems in our economic life, and eventually we will be compelled to resort to crash-landing measures of economic rectification and readjustment, thereby throwing ourselves back into the old cycle of wide fluctuations.

In controlling inflation, we should not reduce the economic growth rate excessively, and must not ignore the possible outcome of an increase in unemployment. If we resort to macroeconomic measures of regulation and control that have the effect of applying the brake on everything, there will be great fluctuations. With this approach, a reduction in the inflation rate will have to be

achieved at the cost of development speed and increased unemployment, and this will give rise to new economic and social contradictions and difficulties. We should do the best we can to steer clear of such a situation. However, by lowering the economic growth rate from 13 percent to 9-10 percent, what we are doing is not "sacrificing" speed, but merely reducing to a reasonable level an unduly high rate that is not conducive to healthy economic development. Neither will this lead to a marked increase in unemployment or cancel the positive effects with negative ones. The curbing and control of inflation certainly will bring about some negative effects, but provided we handle the task well, the positive effects will outweigh the negative ones, and we will be able to realize the anticipated objectives and maintain the sustained, rapid, and healthy development of the economy.

**Strengthen Structural Policies and Improve the Regulation and Control of Total Supply and Demand—by Cheng Xiusheng [4453 4423 3932], head of the Economic Integration Department of the Development Research Center under the State Council**

The macroeconomic situation has been developing in a desirable direction since the beginning of this year. The major problem confronting us is the coexistence of inflation and poor circulation. Inflationary pressure remains strong, while overstocking and chain debts are serious. To tackle the first problem, it is necessary to tighten macroeconomic policies; to tackle the second problem, it is necessary to relax macroeconomic policies. The basic factor determining our macroeconomic policies lies in their relative effect in real life.

As the actual economic situation shows, the major problem still lies in inflation, since prices remain high. Hence, we should resort mainly to macroeconomic regulation and control with a view to stabilizing prices.

At present, the major difficulty we have encountered in macroeconomic regulation and control is the obvious dualistic pattern of economic growth. This is marked by the coexistence of supra-normal growth in the south-eastern coastal regions and normal growth in northern and western China, the coexistence of supra-normal growth of the non-state sector and normal growth of the state sector, and the coexistence of highly geared growth of industry and normal growth of agriculture. Structural contradictions are glaring. In terms of industrial growth, the growth of secondary industry far outstrips that of primary and secondary industry. With bottleneck constraints and heavy inventory stocks existing side by side, contradictions abound. In terms of the regional structure, although the national economy saw highly geared growth in total supply and total demand in 1992-93, not all provinces and regions advanced at the same high speed. It was mainly the coastal regions which saw rapid growth. Growth realized by the seven provinces and municipalities stretching from Guangxi to Shandong (excluding Shanghai) accounted for 70 percent of national growth, while the remaining 23 provinces and municipalities accounted for only 30 percent. In these

seven provinces and municipalities, the lowest industrial growth rate was well over 20 percent. For most, the growth rate was over 30 percent. In the border regions—including Heilongjiang, Inner Mongolia, Xinjiang, and Yunnan—the growth rate was in single digit figures. For some provinces and regions, growth was negligible. The economic growth rate varied greatly from place to place.

A problem closely related with regional structure is the contradictions between urban and rural areas. Urban economic growth and income growth far exceed growth in the rural areas. With real income increasing by 10 percent among urban residents, but by only two percent among the peasants last year, the gap between town and country was further widened.

In terms of the ownership structure, state industrial enterprises have seen normal growth, with the growth rate remaining at the single-digit level most of the time, and staying under five percent in some months. By comparison, the non-state economic sector is expanding rapidly, with township enterprises growing by over 40 percent, and the three types of partially or wholly foreign-funded enterprises growing by 50-70 percent. The disparity of growth between the state and non-state sectors is more than five times. Only one-quarter of the increase in industrial production was achieved by state-owned enterprises; the other three-quarters was achieved by the non-state sector.

These contradictions are closely linked with the fact that China has a vast territory, the fact that China has yet to complete the industrialization process, and the fact that it is still in the process of economic transition. None of these contradictions can be resolved by short-term regulatory and control measures, but these contradictions are imposing obvious constraints on the existing mechanisms of economic operation and macroeconomic regulation and control. Under the existing dualistic pattern of growth, those areas, industries, and enterprises that are growing slowly have the least tolerance for macroeconomic regulation and control. The extent to which macroeconomic policies can be tightened depends mainly on the tolerance level and development of the border regions, the central and western regions, and the state-owned enterprises. The extent to which they can be relaxed depends mainly on the impact of the expansion of the coastal regions and the non-state enterprises on total supply and total demand. The reason repeated attempts since the 1980s at introducing macroeconomic regulation and control measures could not be put into place or have failed to set things in motion lies in these double constraints of structural contradictions.

Since macroeconomic policies are the combined result of the effects of different contradictions, policy options tend to be limited. At present, the coastal regions and the non-state sector have great vigor for economic expansion, but the interior and the state sector have a very low tolerance level. This means that there is only very limited room for the relaxation or tightening up of macroeconomic policies. Under such circumstances, it is

not advisable to cool off the economy by further tightening up the regulation and control of total supply and total demand, or to fuel the economy by relaxing control over total supply and total demand. Rather, we should adopt the policy of "maintaining the economic temperature and making some minor adjustments." By maintaining the present economic temperature and making minor adjustments, it will be possible to gradually approach and reach the major targeted parameters of national economic development.

Seen from the present situation, it is necessary to make effective use of financial means in macroeconomic regulation and control. However, relying on financial means alone to strike an overall balance is far from adequate. It is also necessary to improve and make use of fiscal and investment policies and other means of regulating and controlling total supply and total demand. In carrying out macroeconomic regulation and control, it is necessary to uphold the principle of striking an overall balance. However, relying on the regulation and control of total supply and total demand alone is far from adequate. It is also necessary to further reinforce and make use of structural policies—including industrial structural policies, regional structural policies, urban-rural structural policies, and income structural policies—in order to ameliorate the structural contradictions while striking an overall balance. From a more long-term perspective, it is still necessary to further deepen reform, particularly reform of the enterprise system, in order to form an effective macroeconomic regulation and control mechanism.

**Grasp the Problem and Apply the Right Remedy—by Dai Genyou [2071 2704 2589], deputy head of the Financial and Economic Section under the Central Financial and Economic Leading Group**

A number of highly contradictory phenomena have emerged in the running of the economy. For example, inflationary pressure remains strong although stable economic growth rate has been achieved; some capital goods are lying idle and there are serious inventory problems although the scale of fixed-asset investment has been reduced; enterprises are faced with a shortage of funds although the financial situation is basically normal; the rapid increase in the cost of agricultural production objectively merits an increase in the price of agricultural and subsidiary products, but the rapid increase in retail price demands that control measures be taken; the non-state economic sector is growing at a high speed, but state-owned industries are in great difficulties. These contradictory phenomena tell us that if we want to maintain sustained, rapid, and healthy economic development, we must continue to strengthen and improve macroeconomic regulation and control on the one hand, and do a good job of basic microeconomic reform—primarily reform of state-owned enterprises—on the other.

In strengthening and improving macroeconomic regulation and control, it is necessary first of all to control price

hikes and maintain a suitable rate of economic growth. The present pricing structure is characterized by stable prices of major capital goods, but rising prices of consumer goods. Among consumer items, the inflationary pressure is particularly strong on agricultural and subsidiary products, and on industrial goods using agricultural and subsidiary products as raw materials. With this in mind, we must direct our attention to agriculture first in our price control measures this year. Many places started to tackle the "shopping basket" issue in the second half of last year, and their efforts have begun to produce some results. Since trade monopoly is a major reason for price rises, it is necessary to strengthen management in this respect. The purpose of controlling price rises and controlling inflation is to maintain the economy and the people's livelihood at a stable level. A suitable point of balance must be found between the maintenance of price stability and economic growth. Development is the last word. The maintenance of a moderate rate of economic growth is also the basis for price stability. In order to ensure a moderate rate of economic growth, it is necessary to ensure the necessary supply of circulating funds. In the fourth quarter of last year, flexible readjustment was successfully carried out to ensure price stability and economic growth. We will definitely be able to do a still better job this year.

Second, it is necessary to attach importance to structural readjustment and to properly grasp the relationships among speed, structure, and performance. With the macroeconomic situation now showing steady progress, major changes aimed at readjusting and controlling the overall volumes are no longer necessary. Hence, we should put our efforts into structural readjustment and the improvement of performance instead. We should strive to see further ahead on this point. The Third Plenary Session of the 14th CPC Central Committee has laid down the framework for our future economic system, and as a corresponding measure, it is also necessary to have an overall framework for the development of productive forces. In the course of economic development, the rural population gradually will become urbanized. How the productive forces should be distributed is closely bound up with the control of the investment structure. This is an important task, which has a vital bearing on the overall performance of the economy, and we must act now.

Third, it is necessary to set standards for economic order so as to ensure the healthy development of the economy. We must continue to straighten out financial order and prevent the recurrence of unauthorized inter-borrowing, pooling of funds, and raising of interest rates; to strengthen the credit order by straightening out debt chains; to oppose monopolies and profiteering; to strengthen the management of consumption funds and prevent the loss of state-owned assets.

Last, the deepening of reform is bound to reach the deep structure of enterprises, particularly medium-sized and large state-owned enterprises. In order to resolve problems in this regard, it is necessary to earnestly put the



modern enterprise system into practice. We should see that since the establishment of a modern enterprise that suits the needs of the socialist market economy system is a task never attempted by our predecessors, we must fully respect and properly guide the creative initiative of the masses. If we can do a good job in this respect, we will have a solid foundation for long-term economic development and social stability.

### **Imports, Exports Continue To Grow in 1st Half of Year**

*OW1107170194 Beijing XINHUA in English 1445 GMT 11 Jul 94*

[Text] Beijing, July 11 (XINHUA)—China's imports and exports during the first half of this year continued to increase at a high speed, and exports and imports are nearly at a balance.

The latest statistics from China's customs show that China's total foreign trade volume in the period reached 97.6 billion U.S. dollars, increasing by 25.4 percent over the same period of last year.

The figure is manifested by an export volume of 48.39 billion U.S. dollars and an import volume of 49.21 billion U.S. dollars, increasing by 30.2 percent and 21.1 percent respectively over the same period of last year.

China's foreign trade deficit reached 820 million U.S. dollars, 2.67 billion U.S. dollars less than in the same period last year, and the figure represents a more balanced foreign trade between exports and imports.

### **Government Holds Auctions for Export Quotas**

*HK1107044094 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 10-16 Jul 94 p 2*

[By Li Wen: "Quotas for Exports Up for Auction"]

[Text] China has begun to auction export quotas on a limited number of products in an effort to move away from the system whereby exporters were granted the export quotas by government fiat.

The new practice, which the government sees as a major reform of China's foreign trade regime and a solid effort to manage exports better has been introduced for 13 commodities.

Export quotas allow traders to sell a specified amount of a particular product overseas.

"Trade officials are studying what products will next be put up for public quota bidding," said an official with Ministry of Foreign Trade and Economic Cooperation (Moftec).

Currently, there are 138 categories of products operating under export quota controls.

The Moftec official predicted future products opened for bidding would be hot-selling, big-ticket items that are popular in the international market.

The 13 products included in the initial phase of bidding include logs, ramie gauze, bleached cotton cloth and garlic. Together, the 13 generate about 7 to 8 percent of China's total export income.

The pilot bidding system being tried now has helped raise export prices regulate the export market and improve the efficient allocation of exports, said the official. "The bidding system encourages fair competition among domestic exporters," he said.

In most cases in the past, enterprises permitted to export products didn't have to bid against each other for the quotas.

But the bidding system being tried should allow qualified companies, including local firms, manufacturers and foreign-funded enterprises, to compete on equal footing.

Officials expect the new system may leave some long-standing exporters out in the cold if they don't have the cash to win the quotas.

Already in Shanghai, existing export companies lost about 90 percent of the bleached cotton-cloth contracts this year, a newspaper reports. Shanghai has traditionally been a base for textile manufacturing.

"We have to be sure only the best trading or manufacturing establishments get the export quotas," said the Moftec official.

Export prices for the 13 products now being bid out were raised because the winning exporters had to pay to acquire the quotas.

"Some prices shot up 48 percent from prices set last year," said the official.

Rising export prices in general may help counter Western claims that Chinese enterprises have been dumping exports at below-cost prices.

The bidding system may eventually help rationalize pricing of exported items and improve profits for exporters.

Formerly, some exporters competed by raising their buy bids at home on one end and lowering selling prices on the other. They bid up prices of goods in China they wanted to export and, when the goods reached the destination market, cut prices to sell the goods. The effect was to lower profits or cause losses.

### **Target for 1994 Treasury Bond Issues Reached**

*OW1207051794 Beijing XINHUA Domestic Service in Chinese 1146 GMT 30 Jun 94*

[Text] Beijing, 30 Jun (XINHUA)—This reporter has learned from the Ministry of Finance and the People's

Bank of China that China has sold 102.5 billion yuan of state treasury bonds by 30 June, fulfilling this year's target.

Among the state treasury bonds sold, half-year bonds totaled 5 billion yuan; one-year bonds, 8.3 billion yuan; two-year bonds, 27.2 billion yuan; three-year bonds, 60 billion yuan; and five-year specially designated bonds, 2 billion yuan. Provinces, autonomous regions, municipalities, and cities, including Shanghai, Beijing, Tianjin, Tibet, Xiamen, Gansu, Yunnan, Shenzhen, and Guangdong, all overfulfilled the task of issuing three-year bonds ahead of schedule.

A person in charge of the Ministry of Finance pointed out: The volume of this year's treasury bonds was quite large, and yet the sale has been the best in record. An important factor was that the macroeconomic regulation and control measures adopted by the party Central Committee and the State Council had produced positive effects and had notably improved the banking order. At the same time, party and government leaders at all levels attached great importance to the work of bonds issuance this year. In addition, banks, postal services, news media, and other relevant sectors took active, concerted steps, resulting in more improved organization and service work than previous years. Further, the preferential policy and measures facilitating the purchase, which were well received among the masses, and the good publicity in the relevant policy were also important factors contributing to the smooth issue of the treasury bonds.

The person in charge of the Ministry of Finance said: We recently received many letters and telegrams from the masses asking us to extend the period of issuance of the three-year treasury bonds. In compliance with the masses' requests and in accordance with the State Council leader's instruction to offer favorable terms to the masses as much as possible in this year's treasury bonds issuance, the Ministry of Finance, with the approval of the State Council, has decided to change the half-year treasury bonds and the one-year treasury bonds issued early this year that are still in possession by some specialized banks into three-year treasury bonds and to extend the issue of the three-year treasury bonds for one month until 31 July 1994, under the condition that the total issues of the state treasury bonds for this year will remain the same. Three-year treasury bonds purchased during this period will accrue interests beginning from 30 June 1994 and will enjoy the same terms as offered in the original three-year treasury bonds.

#### Official on Reform of Oil Circulation System

OW1107204694 Beijing XINHUA Domestic Service  
in Chinese 1012 GMT 29 Jun 94

[Interview with unidentified State Planning Commission official by reporter Li Anding (2621 1344 1353); place and date not given]

[Text] Beijing, 29 Jun (XINHUA)—The State Council has decided to reform the circulation system for crude oil and finished oil products. The reform program, promulgated on 1 May, is another major reform measure for this year after the launch of reform on financial and taxation, banking, foreign exchange, and foreign trade systems. It is an important measure for rationalizing prices of oil products and promoting the rational use of oil resources. A relevant person-in-charge from the State Planning Commission has answered this reporter's questions on the contents, necessity, and implementation of this reform.

[Question] What are the elements of the reform program of the circulation system for crude oil and finished oil products?

[Answer] This reform program involves three major aspects:

—Readjusting the prices of crude oil and finished oil products. Beginning 1 May 1994, the state abolished the double-track pricing system for crude oil and finished oil products both under and outside the state plans and appropriately raised the overall price level of crude oil. In this way, we can not only avoid a series of flaws arising with the practice of double-track pricing system for crude oil and finished oil products under and outside the state plans, but also create conditions for pushing the prices of Chinese oil products toward those on the international market, which is conducive to supporting the development of China's oil industry. Another important element of oil price reform is that while the producer prices of crude oil and finished oil products are appropriately raised, it is also necessary to maintain the retail prices of finished oil products at the level no higher than those before the reform, so as to maintain stable market supplies and the general level of commodity prices. To this end, the state's financial departments have paid a certain price and correspondingly subsidized some departments and former users of the planned low-price oil products have borne some of the costs. There are other problems that should be solved through rectifying the circulation order and reducing circulation links and turnover expenses.

—Strengthening the overall management of the sources of oil products for a balance between total demand and supply. This reform has mainly changed the past situation in which the state merely administered planned crude oil and finished oil products, whereas oil products outside the state plans were left unmanaged. By changing this situation, all sources of crude oil will be rationally distributed and fully used. Strengthening the management of the total demand and supply of finished oil products is aimed at optimizing the allocation of resources. Except for the oil directly supplied by oil refineries to the six major oil users, including railway, transportation, and civil aviation sectors, other finished oil products will be openly sold on the market and no oil rationing will be imposed. Oil users formerly receiving state unified

distribution of oil are basically turned over to the market. By doing so, we can fully bring into play the market's role in allocating the sources of finished oil products on the one hand and, on the other hand, promote competition in service among oil-dealing units on an equal basis.

—Rectifying the circulation order of oil products mainly by screening the existing oil-dealing units and establishing a corresponding and necessary management system. After the rectification, wholesalers, gas stations, and retail outlets qualified for the business may continue their wholesaling and retailing business. The existing storage and transport equipment of all marketing channels must be fully used on a fair and reasonable principle. Unqualified dealers should be ordered to improve themselves, and their business licenses should be revoked if they cannot reach the standards within a scheduled time. Finished oil products to gas stations and retail outlets, which have obtained qualifications for operations after the rectification, are supplied by local oil companies and are sold at the unified prices adopted throughout the country and at the prices conforming to the disparities between wholesale and retail prices as set by the state.

[Question] Please expound on the urgency and necessity of reforming the circulation system for crude oil and finished oil products.

[Answer] Crude oil and finished oil products are strategic materials and special commodities that have vital importance to the national economy and people's livelihood. Relaxed overall management, inappropriate managing mechanisms, and irrational prices can be attributed to the scattering of crude oil and finished oil product resources, multi-channel management, and uncontrolled pricing over the years. The increasingly worsening market chaos has offered opportunities for speculation and profiteering, encouraged embezzlement and decadent phenomena, seriously harmed the interests of the state and consumers, and upset the stability of domestic markets, which are unfavorable to the establishment of a socialist market economic structure.

Although the state has readjusted the prices of crude oil and finished oil products several times before the reform, the problem of the irrational gap between the underrated producer price of crude oil and the prices of finished oil products has not been satisfactorily solved. For example, in 1993, the price norm for domestically produced crude oil under the state plans was less than one fifth of the price on the international market, but its market price was higher than that on the international market; the gap between the prices of oil products under and outside the state plans was very wide. This has created two problems: 1. The entire oil-producing industry suffers losses because the price of planned crude oil is too low, which also seriously limits the development of China's oil industry. In the meantime, those small oil refineries, which operate with outdated technology and equipment, produce low-quality products,

waste resources, and are small in the scale of economy, are able to develop rapidly, despite many attempts to check them, because they have access to the fair-price crude oil; thus the valuable oil resources of the state cannot be used effectively and rationally and the waste of resources is very appalling. 2. Because of the excessively great disparity between the prices of crude oil under and outside the state plans, the crude oil business may produce sudden huge profits; therefore, the phenomena of multi-channel operations and rampant profiteering in crude oil have emerged, and the market price of crude oil has become higher and higher. There are also two prices for finished oil products under and outside the state plans and the disparity between them is also very wide (the price norm for gasoline under the state plans was only one fourth to one third of the market price). Motivated by the mechanism of interests, plus an unsound management system, the circulation order of finished oil products has been in a state of serious chaos. The distribution of gas stations is rather irrational and their construction is mostly blind. Many gas stations operate in an unsatisfactory manner—some cheat and short-change customers; some deliberately mix inferior with quality oil, causing fires, explosions, and accidents involving casualties; and some randomly raise prices, evade taxes, issue forged invoices, and the like.

Such a state of chaos in the circulation order of crude oil and finished oil products has aroused strong resentment from various circles in society. People are generally calling for an end to this situation. In fact, Western countries, in which the market economy is highly developed, have very tight overall control of important materials such as crude and finished oil products, as well as complete sets of management systems and rules. Therefore, the state must take effective measures to reform the current circulation system for crude oil and finished oil products, strengthen the overall management of the production and circulation of crude oil and finished oil products, rationalize the prices of oil products, and straighten out the circulation system in order to gradually establish a standardized, flexible, and orderly circulation system for crude oil and finished oil products which will meet the requirements of a socialist market economy.

[Question] It has been over one month since the State Council issued a circular on reforming the circulation system for crude oil and finished oil products. What results have been achieved and what is the response of the people?

[Answer] The reform of the circulation system for crude and finished oil products has gained support from various sectors. All localities and departments have taken overall interests into consideration and conscientiously carried out the reform. Over the past month or so, the reform has achieved preliminary results, which are mainly demonstrated in the following facts: 1. The means of profiteering through oil products has basically been blocked, and such practices in society have been preliminarily checked. In May, June, and the third



quarter of this year, a more rational arrangement in the balance between the total demand and supply of crude and finished oil products was achieved, which has laid a reliable foundation for ensuring market supplies. 2. The smooth transition from the old circulation system for oil products to the new one has been achieved. This reform involves relations of interest among many areas and is very difficult. With the State Council's meticulous arrangements, however, all localities and departments have vigorously supported the reform and coordinated with each other. The implementation of reform measures is generally smooth—better than expected. The production of oilfields and oil refineries is more smoothly connected and the supply of oil products is ample on the market, basically meeting social demand. 3. The prices of oil products are stable and their retail prices on the market have dropped to some degree. To date, new prices of finished oil products are basically quoted in 30 provinces, autonomous regions, and municipalities around the country. According to our monitoring of the situations in various localities, the retail prices of finished oil products on the market have been reduced to varying degrees and are lower than the ones before reform in the overwhelming majority of areas. In 35 central cities (excluding Urumqi, Shenyang, and Dalian), the average retail prices of gasoline and diesel oil are lower than the ones before reform by 236 yuan and 224 yuan per ton, respectively. The broad masses of oil users, particularly those who formerly purchased finished oil products from the market (such as taxi drivers), have truly benefited from the reform. The smooth progress of the reform of the circulation system for crude and finished oil products has played a positive role in curbing inflation, controlling the rise of the general commodity price level in society and helping maintain overall social stability.

[Question] Please explain China's import policy concerning crude oil and finished oil products.

[Answer] The reform of the circulation system for crude oil and finished oil products mainly aims at solving some outstanding problems existing in the domestic circulation sphere. It tries to correct the disorders, which are inconsistent with the requirements of a socialist market economy. It is by no means served to discriminate against imports of crude oil and finished oil products. Both domestic and foreign resources and markets are needed to develop China's economy. Either now or in the future, it is necessary to import some crude oil and finished oil products as a supplement to our domestic resources. The problem is, too many finished oil products were imported last year and in the past few months of this year, causing a severe stockpiling of oil products produced by domestic oil fields and refineries. To guarantee normal production of domestic oil fields and refineries, we should make rational arrangements for the import volume and delivery schedule of oil products, particularly finished oil products. On top of that, we should strengthen and improve the macroeconomic control of imported oil products. In view of the reform

requirements, all crude oil and finished oil products to be imported under various trade methods should be regulated by announced quotas and the license system. In this way, we can achieve the aggregate balance and guarantee the stability of domestic production and market demand. This policy is fully in line with international practice. It should be noted that the current reform does not change the preferential revenue policy concerning imports of crude oil and finished oil products already granted to foreign-funded enterprises, special economic zones, as well as three forms of import processing and compensation trade. Meanwhile, it should be stressed that no departments and units are allowed to set a new precedent for tax reductions or exemptions. It is also strictly prohibited that enterprises take advantage of the preferential revenue policy to illegally expand the scope of domestic sales. The import quotas for crude and finished oil products needed by foreign funded enterprises to produce goods or process export goods as well as the import quotas approved by the Ministry of Foreign Trade and Economic Cooperation to foreign-funded enterprises engaging in the business of finished oil products shall be directly distributed to them by the planning commissions (economic planning commissions) of provinces, autonomous regions, municipalities, and cities with provincial status in state planning, in accordance with the import quotas authorized by the State Planning Commission. No other intermediate links are needed. On top of that, they are allowed to import these products by themselves. Such a practice is supported by foreign-funded enterprises.

Although initial successes have been achieved in the reform of the circulation system for crude oil and finished oil products, new situations and problems will inevitably develop during the course of practice. The reform plan itself also needs to be continuously summed up and improved. It is our belief that so long as all parties concerned work hard with one mind, the reform will certainly achieve a comprehensive success.

#### **Industrial Output Rises 15.8 Percent Jan-Jun**

*OW1107131994 Beijing XINHUA in English 1301 GMT 11 Jul 94*

[Text] Beijing, July 11 (XINHUA)—China's industrial output grew 15.8 percent in the first half of this year, with the total volume hitting 754.8 billion yuan in constant prices, the State Statistics Bureau (SSB) announced here today.

Still one of the fastest national growth rates in the past decade, the current surge is attributed to the easing of credit controls following further implementation of macro-economic control measures targeted mainly at state-owned enterprises.

Statistics show that the output of state-owned industries, the pillar of China's national economy, grew 4.4 percent during the January-June period of 1994 and is still going up. SSB officials said that this is partly owing to the input of huge amounts in short-term loans since April.

During the first six months of 1994, the output of China's light industry rose 16.9 percent, while that of heavy industry went up 14.8 percent. Production of consumer commodities increased steadily in the period, thanks to a brisk domestic market.

Output of coal, crude oil and electricity grew 5.5 percent, one percent and 11.3 percent respectively in the first half of 1994, all witnessing fast growth. During the same period, cargoes handled by China's railways recorded a three percent rise.

### **Chemical Industry Maintains Stable Production**

*HK1207071994 Beijing CHINA DAILY in English  
12 Jul 94 p 2*

[By Zhang Yuan: "Chemical Industry Grows in First Half"]

[Text] The chemical industry maintained stable production and sales growth during the first half of the year, according to statistics released over the weekend.

The Ministry of Chemical Industry said the sector turned out 96.8 billion yuan (\$11 billion) worth of products during the January-June period, up 6.9 per cent over the same period last year.

During the period 96.7 per cent of the country's new chemicals were sold, representing a slight rise over last year.

In March, April and May, 100 per cent of products were sold as market demand bounced back from a two-month dip in January and February, according to the report.

Particularly encouraging was the rise in sales and production of chemicals for agricultural use.

With the help of State funds, production of chemical fertilizers hit 50.34 million tons in the first half of the year, up 7.2 per cent, while output of farm pesticides hit 124,000 tons, 59 per cent of this year's planned total.

The report also said large- and medium-sized chemical fertilizer plants have been running at full capacity.

And small fertilizer factories, which hold a lion's share of the country's production, saw output rise.

About 84 per cent of these plants were operating at full capacity, compared with only 61 per cent at the beginning of the year.

Moreover, 324 factories that had stopped production resumed their operations.

Rising domestic demand stimulated the growth in the chemical fertilizer and farm pesticide industries, the report said.

Farmers have been encouraged by central government measures to raise output such as raising crop purchasing prices.

The majority of farmers' investment goes towards buying fertilizer and pesticide.

### **Imports**

Imports of fertilizer and pesticide dropped sharply in the first six months, while the import of chemical raw materials rose, the report said without offering an explanation.

Imports and exports of chemical products during the first half hit \$13.1 billion, up 10.4 per cent over the same period last year.

Imports accounted for \$7.5 billion, up 20.4 per cent, while exports decreased 0.9 per cent to \$5.6 billion.

Shifting domestic demand caused changes in the composition of imports and exports.

Imports of organic and non-organic chemical raw materials, high polymer, chemical auxiliaries and chemicals for use in the information industry grew substantially, while imports of chemical fertilizers and farm pesticides dropped by 40.8 per cent and 26.2 per cent respectively.

Meanwhile, exports of farm pesticides, rubber tyres, rubber shoes, dyestuffs and paints rose as much as 45 per cent.

But the exports of rubber, rubber products and petrochemical goods plummeted, the report said.

### **Coal Industry Produces 509 Million Tons Jan-Jun**

*OW1107121494 Beijing XINHUA in English 1152  
GMT 11 Jul 94*

[Text] Beijing, July 11 (XINHUA)—China produced more than 509 million tons of coal in the first half of this year, up 1.9 percent over the same period of last year.

Of the total, 235 million tons came from state-run key coal mines and the remaining 274 million from local and township mines, according to figures released by the ministry of coal industry today.

This six months' output also accounts for 51 percent of the country's projected target of 1.16 billion tons of coal this year.

A Coal Ministry official described coal production as "normal" in the January-June period, saying the output target can be hit if the present pace is kept up into the second half of this year.

He believed the coal industry will also strive for optimal efficiency and become market-oriented in arranging production—in the light of the demands on the markets.

Coal is China's most important primary source of energy, meeting more than 75 percent of the country's total energy demand. By the year 2000, China is expected to produce 1.4 billion tons of coal.

### Auto Industry Faces Slowing Demand

HK1107043794 Beijing CHINA DAILY  
(BUSINESS WEEKLY) in English 10-16 Jul 94 p 1

[By Chang Weimin: "Automobile Makers Face Hard Sell to Individuals"]

[Text] China's automotive industry will be challenged as it strives to meet production goals while confronting the remnants of a central planning economy.

Auto sales in the first five months of this year were slightly up over last year by a mere 2.3 percent.

Statistics show that 95,000 Chinesemade sedans were sold in the first five months of the year, fewer than expected. In contrast, the country's overall industrial growth in the same period was 19 percent above last year.

Car sales in June grew at an even slower pace than the previous five months, according to the Ministry of Machinery Industry, although national figures aren't yet available.

China, which has a population of 1.2 billion, has about 1 million cars operating now; 5 percent are privately owned.

Santanas and Audis, both of which are made by Volkswagen-funded plants in Shanghai and Changchun, have sold well this year. Audis have been designated as one of the brands of sedans that can be used by government officials.

But other sedans made in China haven't done as well. Manufacturers this year have seen their stockpiles of unsold cars grow. In fact, inventories have grown by double-digit rates at many plants, which has led to production slow-downs.

History has shown that Chinese automotive production and the market for autos have been especially sensitive to government policy shifts.

Reports from big trading firms such as the China National Automotive Trade Corp, the China National Automobile Industry Sales Corp, and the China Trade Centre for Imported Automobiles confirm that domestic auto producers have fallen on hard times this year.

In interviews with BUSINESS WEEKLY, executives from the three companies said they couldn't guess how long the depressed market for cars would last.

A senior official from the China Trade Centre of Imported Automobiles said imports from the United States, Japan and South Korea are also having a hard time in China.

Thousands of foreign-built cars ordered early this year when optimism was higher now sit idle at the Tianjin Port while the China Trade Centre must fork over big payments for interest on loans used to buy the imports.

A new taxation system that went into effect earlier this year had the effect of increasing production costs and thus dampening trading companies' enthusiasm.

A survey last week showed that in more than provinces and municipalities, the decades-long ban on institutional car purchases continues to be followed despite the central government's announcement early this year that it was lifting the ban.

Sources say regional authorities have preferred to retain the ban in an effort to make their staffs appear clean in response to the central government's anti-corruption drive.

Experts say modern cars in government departments and State-owned institutions and enterprises are often regarded as luxuries and signs of corruption.

Another factor that may be depressing auto sales this year is the expectation by some that China will be allowed to participate in GATT by the end of this year. (See related story)

Personal bank savings in China stand 1,662.5 billion yuan (\$191 billion). Surveys reveal that some people are waiting for high-quality, low-priced foreign-built cars to become available as tariffs on auto imports are cut in response to GATT membership.

Meanwhile, reliable sources say many cars continue to be smuggled into China to avoid high tariffs.

The government has been trying to encourage more private ownership of autos, but experts on the Chinese auto market doubt there will be a substantial shift to private ownership of autos anytime soon.

### Efforts To Protect Marine Environment Succeeding

OW1207075594 Beijing XINHUA in English 0715  
GMT 12 Jul 94

[Text] Beijing, July 12 (XINHUA)—"Fish is returning to this expanse of water," said Zhao Gang, an avid angler from the Qingdao dyestuff mill.

"Every Sunday and other holidays, I would come here with my hooks and lines. If I am lucky enough, I could hook a dozen kilograms of spotted maigre," the old man said.

But things were not as it is today. "Two years ago, virtually no fish could be found around here," he said. "Our mill discharged waste water into the sea, driving the fish away."

In 1992, the mill spent 16 million yuan building a waste water treatment plant. The water surface around the mill has gradually become neutral.

"It is our duty to build such facilities and solve the pollution problem," said Duan Dongqiang, director of



the mill which produces an annual 4,000 tons of dye-stuffs. "Otherwise, we would be punished by law." The plant used to discharge 300 tons of waste-water into the sea a year.

The Qingdao dyestuff mill is only one example to show how the people along the coasts have heightened their sense of responsibility for the protection of the maritime environment.

The government of Qingdao, one of China's 14 open coastal cities in Shandong Province, has set up a special committee to study and protect the environment while spending an annual 40 million yuan cleaning up and controlling pollution sources on shore.

Since 1990 the city has constructed four environmental protection projects by using a loan of 100 million U.S. dollars from the Asian Development Bank.

A survey shows that the amount of major pollutants in the Jiaozhou Bay has dropped steadily since.

China has an 18,000-km coastline and more than three million sq [square] km of territorial waters, accounting for one third of its total territory.

To protect its sea environment, the Chinese Government issued the "Law on Marine Environmental Protection" in 1983, and six supportive regulations later.

Included were the "Regulations Concerning Environmental Protection During Offshore Oil Exploration and Exploitation", the "Regulations Concerning the Dumping of Wastes at Sea", and the "Regulations on the Control and Treatment of Pollutants Which Threaten the Seas".

Localities and departments concerned have set up ocean environment monitoring networks, monitor enterprises which dump waste into the sea, and regularly review the influence of construction on the marine environment.

The country has readjusted the distribution of industries and industrial structure along the coasts and carried out pollution control programs in cities and regions and strengthened the pollution control and management by zoning the functions of the sea environment.

In addition, the Chinese Government has participated in three international pacts to join hands with other countries and regions in protecting the ocean environment around the world.

Thanks to the environmental protection efforts, China has stepped up the pace of developing marine resources. According to Yan Hongmo, director of the National Bureau of Oceanography, the annual output value of China's marine industry has risen from 6.4 billion yuan in 1978 to more than 90 billion yuan at present, while the general quality of the ocean environment remains good.

### Coastal Provinces Develop Aquatic Products

OW1207040494 Beijing XINHUA in English 0153  
GMT 12 Jul 94

[Text] Nanjing, July 12 (XINHUA)—Long Island in east China's Shandong Province is a beautiful and picturesque island, around which a sea pasture with an area of over 600,000 mu (40,000 ha) has been built, earning the local residents an annual per capita income of 10,000 yuan, the highest in China.

Now, more and more coastal provinces understand the enormous wealth the sea can provide. Projects to cultivate the sea have been made and good yields have already been achieved.

As early as in April 1991, Shandong raised a strategy to build a "Shandong on the sea." Within two years, its annual aquatic product output has topped 2.6 million tons. The output of sea salt, soda ash and caustic soda is also the highest in China. The output value of the marine industry reached 30 billion yuan (3.4 billion U.S. dollars) in 1993, compared with 159 billion yuan in 1992. The number is about 12.3 percent of the provincial gross national product (GNP) value.

At present, aquatic products are still the main game for sea cultivation along the coastal provinces, with their output increasing steadily.

Last year, the total output of aquatic products in Fujian reached 1.9 million tons, an average of 60.5 kg per capita.

The traditional fishery is developing toward the combination of fishing, raising, processing and domestic and foreign trade. A large number of ocean-going ship groups are operating in the North and South Pacific Ocean and along west and east Africa.

The export of marine products is increasing. The export value in Shandong and Zhejiang Province alone was over 500 million U.S. dollars last year.

Marine transportation and tourism are two quickly developing industries. The rehabilitation of a group of old ports and the construction of a large number of new ones in recent years have made great contributions to the development of marine transportation.

The unique weather conditions and beautiful sea landscape have attracted many visitors to the coastal cities and islands. An annual 5.6 million visitors come to Qingdao in Shandong Province.

The coastal provinces have made many plans for overall cultivation of marine resources. Some have started to foster high technology development of the marine industry.

Qingdao, a marine scientific research base of China, established a ten-year program recently in scientific

development of the sea. A series of special policies have been made including fund raising, loan discounts and tax exemptions or reductions.

### **Newspaper Emphasizes Grain, Cotton Production**

*HK1207091494 Beijing NONGMIN RIBAO in Chinese 13 Jun 94 pp 1, 4*

[Article by Yuan Mu (5913 2606): "A System Engineering Project of Great Strategic Significance—Thoughts on Economic Development of China's Grain and Cotton-Producing Areas"]

[Text] In the whole process of socialist modernization of our country, particularly from now to the end of this century, seriously studying and earnestly solving the problem of promoting faster economic development of major grain- and cotton-producing areas [major production areas], is a system engineering project of great strategic significance.

This is our basic understanding which is derived from a correct analysis of our country's basic conditions and of the unique status of the major production areas and the main grounds are:

First, our country has some 1.2 billion people and food and clothing is always a matter of prime importance which has a bearing on the overall situation of economic development and social stability. When the population increases and when people's living standards improve, the demand for grain and cotton will increase but the area under cultivation is decreasing daily. This determines that the contradiction between supply and demand for grain and cotton in our country will exist for a long time.

Second, our country's population accounts for one-fifth of the world's population and the supply of grain and cotton must come mainly from areas inside the country, so that we can become basically self-sufficient and we should not, and cannot, rely on large-scale imports. Of course, we do not exclude the import of an appropriate quantity of grain and cotton on the premise of maintaining a basic self-sufficiency, to make up for the inadequacy of production inside the country and to carry out necessary regulation.

Third, whether our country can become self-sufficient in grain and cotton is mainly determined by the areas which are suitable for grain and cotton cultivation and which can provide more commodity grain and cotton. If the major production areas can steadily increase production, then our country's grain and cotton supply has a reliable guarantee.

Fourth, the issue of the economic development of the major production areas is the key point, as well as the difficult point, in the development of the whole national economy. For a long period of time, the major production areas have provided us with large quantities of

commodity grain and cotton and have made an important contribution to the economic development of the whole country. However, because grain and cotton production has relatively low returns, to a great extent this has made the overall economic development in most major production areas relatively slow and peasants' income and revenue income relatively low, leading to the pattern that "it is a big county in terms of grain and cotton, a small county in terms of industry, and a poor county in terms of revenue." Only when we quickly change this situation, can we basically change the pattern of our country's rural economy, and even the whole national economy, and enable our country's modernization to have a firmer foundation.

Fifth, since reform and opening up, our country's grain and cotton production has greatly increased but some major production areas have witnessed a tendency of a rapid decrease in grain and cotton output. If this tendency evolves into a trend which continues to develop, and more and more production areas develop secondary and tertiary industries at the expense of grain and cotton production, the consequence could be unimaginable. This condition reminds us that it is an extremely urgent task to seriously study and solve the question of expediting the economic development of the major production areas. It is not too late to grasp it now, otherwise, a higher price must be paid for it.

In recent months, we have carried out on-the-spot investigations in villages in several major production areas and extensively exchanged ideas with some agricultural experts and with provincial, prefectural (city), county, and grass-roots cadres. As a result, we have gradually come to the understanding that to properly grasp promotion of faster economic development of the major production areas—a system engineering project—efforts must be made to tackle the following 10 problems:

#### **I. Thoroughly and Correctly Establish the Goal of Economic Development of Major Production Areas**

Under the circumstances that the development of the socialist market economy is being expedited, to change the relatively lackluster condition of overall economic development in the major production areas step by step, one important issue is to thoroughly and correctly establish the goal of economic development in the major production areas. At present, production areas must realize a shift of their economic development goal as soon as possible. That is, a shift from simple cultivation of grain and cotton to steady increase in grain and cotton output, thorough economic development, and a relatively rapid increase in peasants' income. Steady increase in grain and cotton output is the precondition, thorough economic development is the main thread, and a relatively rapid increase in peasants' income is the motive force; these three aspects should be closely combined to realize an organic integration.

Only when the goal shift has been realized can we ensure a steady increase in grain and cotton output under

market economy conditions. The level of comprehensive agricultural productive forces in our country is relatively low, the operation scale of grain and cotton production is small, natural and market risks are big, and returns are low; these are the problems facing us at this time and they are the problems which will exist for a long time in the future. At present, the governments and people in the major production areas have diminishing enthusiasm for developing grain and cotton production and the above-mentioned is one of the important reasons. Therefore, the major production areas should promote overall development of their economies, upgrade their comprehensive economic returns through processing grain and cotton products, and increase peasants' income and revenue income through various methods. Then they can accumulate funds for grain and cotton production and ensure that grain and cotton outputs increase steadily.

Only when the goal shift has been realized, can the economy develop thoroughly and revenue increase gradually. To completely change the current pattern that "it is a big county in terms of grain and cotton, a small county in terms of industry, and a poor county in terms of revenue" for a majority of production areas, and to increase the comprehensive economic strength of the counties which are big in terms of grain and cotton production, it is necessary to change the simple production of grain and cotton to thorough economic development and the simultaneous development of first, secondary, and tertiary industries, and let them promote each other. The economic development in the major production areas cannot confine itself to grain and cotton production itself without paying attention to increasing economic returns, nor can it reduce grain and cotton production in order to pursue only an increase in economic returns.

Only when the goal shift has been realized, can peasants rapidly increase their incomes. At present, in most production areas, the per capita net income of peasants is too low. On the whole, it is slightly lower than the average for the whole country, while some peasants face a bigger difference. When the villages in the whole country work hard for a comfortable living standard, the developed areas in the east and along the coast are generally able to achieve it according to, or ahead of, schedule but the poor and backward areas in the west face a bigger difference. Most are hardly able to achieve it according to schedule whereas, in central China, especially in the major production areas, lies the crucial factor determining whether the villages in the whole country can reach the goal of achieving a comfortable living standard according to schedule when judged in overall terms. It is very difficult to rapidly increase peasants' income just by developing grain and cotton production. We must develop high-yield, good-quality, and high-efficiency agriculture and various operations and gradually shift the surplus labor forces from grain and cotton production to fish breeding and poultry

raising, forestry and fruit undertakings, and nonagricultural productions found mainly in township and town enterprises, to establish new ways for peasants to increase their incomes.

## **II. Economic Development of Major Production Areas Should Be Built on the Basis of Gradually Realizing Modernization of Agriculture**

Since the middle of the 1980's, people have neglected the issue of modernization of agriculture and have not put it in the position it deserves. Agriculture is the foundation of the national economy and modernization of agriculture is the foundation of the four modernizations. It is difficult to imagine that we can realize a thorough leap of the national economy on a very backward agricultural foundation. Of course, our understanding of modernization of agriculture should not remain at the old level and we should not view modernization of agriculture simplistically as the mechanization of agriculture. Modernization of agriculture includes not only improvement of production tools but also changes in production technology, production organization style, and production setup. During economic development at different times and in different places in our country, the key point and priority in promotion of modernization of agriculture should differ. However, the orientation of realizing the modernization of agriculture should not change.

At the present stage, as far as the whole country is concerned, the key point of the modernization of agriculture should rest on the promotion and application of science and technology. Use more science and technology when producing, processing, storing, transporting, and selling farm produce. In particular, attach importance to promoting the cultivation and breeding models which are acceptable to the broad masses of peasants, to increase the economic returns on agriculture and agriculture-related production and to continually increase the use of advanced technology in the development of agriculture. For this reason, we must further build the contingent which provides agricultural science and technology services at county and township levels, and strengthen vocational education and technical training in the rural areas, to enable the principle of "invigorating agriculture with science and education" to be really implemented. At the same time, we must inject funds into agriculture through various channels, continue to carry out capital construction of agriculture such as irrigation projects, increase the use of agricultural machines, upgrade the standard of application of means of production such as chemical fertilizers, improve the operation and management of agriculture, and walk step by step toward the goal of thoroughly realizing the modernization of agriculture.

The development of the national economy throughout the whole country should be built on the premise of gradually realizing the modernization of agriculture and the economic development of the major production areas should all the more rest on this premise. Economic development has its own laws and a main industry rises



step by step in the order of first, secondary, and tertiary industries. Only when agriculture is fully developed and when the level of agricultural productive forces is upgraded, can it provide adequate raw materials, capital, and labor to the development of industry and lay a good foundation for the development of tertiary industry.

The industrialization process in the rural areas along the coast of our country is faster and this is to a large extent directly related to the fact that these areas have a higher level of agricultural productive forces. At present, some localities neglect invigoration of basic production, especially agriculture; they go beyond objective needs and feasibility and are eager to pursue, in a one-sided manner, the bubble economies such as real estate, bonds, and stocks but this kind of action, which violates the law of economic development, is dangerous. The major production areas should never go this way.

### **III. Further Develop the Strong Point of Grain and Cotton Production in the Major production Areas**

Grain and cotton production is the basic and pillar production in the major production areas and to develop grain and cotton production is to utilize and develop the strong points of these areas. From the central authorities, to various departments, and to the localities, earnest efforts must be made to get rid of the interference from the one-sided understanding which views grain and cotton production as production without a future; they must resolutely view grain and cotton production as an irreplaceable production in the major production areas and firmly establish this as one of the important guiding thoughts for rural work.

First, the state needs more commodity grain and cotton from the major production areas. This is the basis and pillar of development of the whole national economy. If this basis is not firm, then the pillar will tremble and this will seriously affect the economic development and social stability in the whole country. In the past, the major production areas have already made important contributions to the country in this regard; in the future, they will be asked to increase supply of commodity grain and cotton and make a bigger contribution to the country.

Second, development of grain and cotton production is the strong point of major production areas. The major production areas have an edge in terms of resources for developing grain and cotton production. For example, regarding the resources in the areas of land, water, climate, and labor, they have better conditions for production than other regions and so they are suitable for the development of grain and cotton production. In addition, the major production areas have the edge in terms of technology for developing grain and cotton production. These areas have the traditional farming technique for producing grain and cotton and can easily accept promotion and use of modern techniques and science; this is conducive to the technological transformation and renewal of traditional farming and it is easier

to obtain the positive effect of science and technology playing the role of productive forces. Of course, full development of these strong points is determined by the development of grain and cotton production toward industrialization, so that the production will have better economic returns; these strong points should never be weakened or canceled.

Third, the market scale of grain and cotton goods is relatively stable and will gradually expand. The relations between supply and demand in the market determine production. Analyzing from a long-term perspective, the demand for grain and cotton in our country's market is conducive to encouraging production of grain and cotton. The domestic market has a great demand for grain and cotton goods, and the demand will increase gradually. Our country must also participate in exchanges in the international market, in particular, our cotton and textile goods occupy an important position in the international market and this also increases the demand for cotton in the market.

Fourth, grain and cotton production is the stable source of income for peasants in the major production areas. Since reform and opening up, the peasants in the major production areas have explored some new sources of income. However, an analysis of the overall composition shows that, at present, grain and cotton production is still the main avenue of employment for peasants and generally the net income from this source accounts for half or even two-thirds of their per capita income and this source is relatively stable. For a long period of time to come, grain and cotton production and its related operation in the major production areas will remain the main source of income for a majority of peasants and this source is also likely to be more stable than income from other forms of production.

The major production areas in our country can generally be divided into three kinds: The first kind refers to the counties with a higher level of economic development, mainly to be found in the coastal region in the east. The second kind refers to the main suppliers of commodity grain and cotton in the country at this time, mainly to be found in central China but a few can be found in the west and the undeveloped areas in the east. The counties of this kind generally do not have a high level of economic development, and are in the middle or middle lower situation in the country. The third kind refers to the production bases which are taking shape, mainly to be found in central and west China. These counties do not provide very much commodity grain and cotton at this moment, but they have more farmland resources and, although their per unit area yield is relatively low, their potential to increase output is great, so they have become the reserves of the major production areas.

The major production areas have emerged during a long process of historical development; they are the outcome of the comprehensive function of many factors such as nature, economy, and technology and, to a great extent, they possess an irreplaceable nature. Once some major

production areas withdraw from the ranks and reduce supply of commodity grain and cotton, it will be difficult to make up for the inadequacy from other areas. This will affect the overall situation of the balance between supply and demand for grain and cotton in the whole country. This kind of situation will become more obvious in the future.

Therefore, no matter at present or in the future and regardless of a low or high level of economic development, all the major production areas should proceed from the actual local conditions and continue to give play to the strong points of grain and cotton production. At the same time, when they continue to upgrade the level of economic development, the big production counties which have a higher level of economic development should strive to stabilize the total output of grain and cotton, work hard to increase output and, on this basis, improve varieties, upgrade quality, and increase returns. On the premise of ensuring a steady increase in grain and cotton output, the big production counties which have a moderate level of economic development should actively develop township and town enterprises and other nonagricultural production and, with farm produce as the basis, develop fish breeding, poultry raising, processing industries, and transportation and sales, to repeatedly increase the value of farm produce and further develop the strong point of grain and cotton production through new ways of economic development. The big reserve production counties which currently have a lower level of economic development should not only pay attention to the development of township and town enterprises and nonagricultural production but should view grain and cotton production as the most important way of economic development and, with this as the basis, develop fish breeding, poultry raising, processing industries, transportation, and sales.

#### **IV. Gradually Adjust and Continually Optimize the Production Setup in the Major Production Areas**

Adjusting and optimizing production setup and enabling it to become rational, is an important guarantee for realizing a steady increase in grain and cotton output, overall economic development, and a rapid increase in peasants' income. The major production areas must continue to adjust the production setup. If they do not carry out adjustment, then the rural economy will not have a rapid and thorough development and peasants' income and revenue income cannot increase rapidly.

Two kinds of tendency must be prevented during the adjustment of production setup: The first kind is the tendency to not proceed from the reality and, once adjustment is mentioned, grain and cotton production is neglected and the farmland which is suitable for growing grain and cotton is used for other purposes. Meanwhile, the funds which should go to grain and cotton production are withheld and pieces of farmland for grain and cotton production are occupied wantonly. Another kind of tendency is there are a lot of worries concerning

adjustment of the production setup and a lack of confidence in the development of high-yield, good-quality, and high-efficiency agriculture; some even negate the positive results of adjustment of the production setup and say they want to grow grain and cotton regardless of the conditions. Neither of these two tendencies are conducive to the overall economic development of the major production areas and the possible consequence is that the strong point is turned into a weakness. Giving play to the strong point of grain and cotton production does not contradict developing high-yield, good-quality, and high-efficiency agriculture and what we want to do is to work hard to realize good quality and high efficiency on the basis of maintaining a steady increase in the total output of grain and cotton. We should never waver but should resolutely, persistently, and steadily develop grain and cotton production, adjust and optimize the production setup, and develop high-yield, good-quality, and high-efficiency agriculture.

The production setup in the major production areas should view stabilizing the areas under grain and cotton as the precondition, and increasing per unit area yield as the main direction, to guarantee a steady increase in the total output of grain and cotton. To develop diversified operations, the potential rests in comprehensively exploring and utilizing land resources and in developing the three-dimensional agriculture such as scientific intercropping on farmland. Most production areas have more natural resources on a per capita basis, as well as large stretches of barren land, barren hills, water, and grassy hills, plus abundant straw from farm produce but most of these resources have not been properly used up to now. If all these land resources are properly used and explored in a comprehensive manner, then development of diversified operations not only has the strong point of abundant resources but also broad prospects. Regarding the use of advanced technology, such as biological engineering, to develop three-dimensional agriculture, there is unlimited room to maneuver and great areas to explore.

Developing farm produce-related processing, transportation, and marketing, is an important measure by the major production areas to maintain a steady increase in grain and cotton output and to continually optimize production setup. By so doing, we can link industrial development, financial income, and increase in peasants' income in the major production areas more closely to grain and cotton production, thus arousing the enthusiasm of the governments and peasants in the major production areas for development of grain and cotton production. At the same time, this is also the objective need and necessary tendency of coordinated development of the economy in the whole country. For example, the problem regarding what industrial policy and economic means we should take according to needs and feasibility, to gradually change the situation of excess concentration of textile industry in the coastal cities, and to shift it to the major cotton-producing areas in a planned manner and step by step, is an important

problem which should be placed on the agenda for serious study and solution. Food processing industries should also be built more in the major grain-producing areas, where a number of modern food-producing enterprises should be built. These enterprises, which play a leading role in integrating trade with industry and with agriculture in the major grain-producing areas, must have links with tens of thousands of peasants below and the domestic and international markets above, to enable the separately operating peasant households to walk toward the market and increase the comprehensive economic returns on grain production.

The following may also be considered: In the effective style, such as the joint-stock system, a series of enterprise groups specializing in processing farm produce can be built between the major production areas and the developed coastal region. Thus, the enterprises in the major production areas will carry out initial processing and the enterprises in the developed coastal region will carry out intensive and finishing processing, whereas the profits will be shared according to the investment ratio, so that both sides establish a new kind of economic relations on the basis of equality and reciprocity. This method is conducive to better developing the strong point of resource and labor in the major production areas, as well as the strong points of personnel, technology, capital, and market in the developed coastal region; it can promote a coordinated development of the economies in different regions in the whole country.

Expediting the development of agriculture in earning foreign currency on the basis of processing farm produce, is also a strong point belonging to the major production areas. The export of a large quantity of raw material-type farm produce such as grain and cotton by our country, is seriously restricted by the per capita occupation of natural resources in our country and the export itself occupies a relatively poor position in the exchanges in the international market. Whereas carrying out processing of farm produce such as grain and cotton at varying degree, and increasing exports of processed farm produce such as grain and cotton, can give play to the strong point of rich labor resources in our country. Meanwhile, the demand in the international market and the supply of goods in our country also have great potential. The crux is to adapt to the changing needs of the international market; strive to upgrade the quality of goods; continue to improve the techniques for producing, processing, packing, preserving, and transporting goods; and to form, as soon as possible, relatively stable bases for producing and processing exports. Can we raise the following demand: Through efforts over several years, enable the foreign exchange-earning agriculture in our country, especially in the major production areas, to have development of a leaping nature and to become another pillar production which has broad prospects and a firm foundation.

Although the development rate of township and town enterprises in the major production areas has become faster in recent years, the overall level is still relatively

backward. This is also the main reason for the slow development of the rural economy and the slow increase in peasants' income in the major production areas. According to the experiences of various localities, when the major production areas develop township and town enterprises, they must pay attention to the following several points: First, resolutely use the market as guidance and never develop products which are unsalable in the market or even cannot be sold; second, use local resources and have a stable and adequate source of raw materials; third, the starting point must be higher whenever possible, there has to be certain scale and advanced technology of production, and we must avoid the situation whereby an enterprise is set up only to find itself in a passive position in market competition; fourth, the enterprises should be relatively concentrated, and should not be excessively scattered; and fifth, the operation mechanism must be good and the enterprise organization methods, such as joint-stock and cooperative systems, can be used to closely integrate the immediate interests of the broad masses of peasants with the returns on enterprises.

#### **V. Properly Tackle the Issue of Finding a Way Out for the Surplus Rural Labor Forces in the Major Production Areas**

The major production areas have abundant labor resources. If these resources are properly explored and utilized, they are an important and positive factor for economic development; if these resources are not properly explored and utilized, they will become a heavy burden which hinders economic development and an increase in peasants' income. At present, the first thing to do is to thoroughly implement a series of policies and measures regarding the consolidation and development of agriculture, guide the broad masses of peasants to the width and depth of agriculture, and ensure a steady increase in grain and cotton production and overall development of rural economy. At the same time, on this basis, we must actively explore new ways to further solve the problem of finding a way out for surplus rural labor forces.

When the major production areas export some surplus rural labor forces to the developed coastal region, it is undoubtedly good for the economic development on both sides. But the developed coastal region has a certain endurance limit regarding the influx of labor forces. The way out for the surplus rural labor forces in the major production areas should be found mainly by developing the economies in those places.

The major production areas should actively develop township and town enterprises and nonagricultural production; in this process, they should earnestly grasp concentration of township and town enterprises, which should be established on whole stretches of land; and they should closely integrate the efforts with acceleration of the construction of small towns and follow the road of upgrading the level of urbanization step by step—a road which has Chinese characteristics. As far as the domestic



situation is concerned, in the areas which have started developing township and town enterprises at an earlier time and which have a higher level of development of township and town enterprises, there is a general problem of excessively scattered township and town enterprises. Therefore, tertiary industry cannot grow in scale and a series of "rural sicknesses" emerge. For example, excessive investment in infrastructure, inconvenient transportation and communications, and serious environmental pollution. As far as the international situation is concerned, in some developing countries, large numbers of people rush to the cities, causing serious social problems in the areas of housing, health, education, transportation, and security. Both the economies inside and outside the country show that, developing township and town enterprises, small towns, and nonagricultural productions, should become the main way to solve the problem of surplus rural labor forces. Of course, in order to enable the construction of small towns to proceed healthily, attention must be paid to overall planning and construction must be carried out on the premise of rational distribution and we must refrain from blindly forging ahead and comparing with one another.

Regarding the phenomenon of the migration of a great number of rural laborers to the major cities along the coast—a phenomenon which has emerged in recent years—we must strengthen organization, guidance, and management through various methods, such as building and perfecting the labor market. The rural laborers who are moving to the cities at this moment are doing so spontaneously and only a very few of them are moving in an organized way. Concerning the laborers who spontaneously move to cities, we should not block them nor adopt a laissez-faire attitude; the correct attitude is to actively guide them. Local governments or local labor departments can take up the matter themselves; they can strengthen contacts with the developed coastal region, carry out the process in an organized manner, and try to minimize as much as possible the blindness which is brought about by completely free mobility.

#### **VI. Promote Appropriate Scale of Operation of Agriculture in the Major Production Areas, Step by Step**

The scale of operation of agriculture in our country is small and this is the main factor restricting the increase in economic efficiency. Although per capita occupation of agriculture-related natural resources in the major production areas is slightly higher than the average level in the whole country, most big production counties have only 1.5 to 2 mu of farmland on a per capita basis and 3 to 5 mu on a per laborer basis. Such a small scale of operation can hardly produce a large quantity of products or increase the productivity and the returns on cultivation of grain and cotton; it is also not helpful in launching services in the areas of production, processing, and circulation, and it cannot adapt to the changes in market need.

Promoting an appropriate scale of operation for agriculture is an important way of upgrading the economic returns on agriculture and increase the peasants' income. On the premise of stabilizing the party's various basic rural policies, especially the system of contracted responsibility on a household basis with remuneration linked to output, the major production areas can do a lot in promoting an appropriate scale of operation for agriculture and, in many areas, they can take the first step toward realizing the country's "second leap" as proposed by Comrade Deng Xiaoping.

Under the current circumstances, the main task is to promote an appropriate scale of production which emphasizes the strong points in various regions. This kind of scale is not to change the relations of production but to have a rational arrangement of the resources for the production which is superior in a certain region and to form production on an appropriate scale. We may advocate that in a county, several counties, or even a larger region, so long as the management of the operation on a household basis is not disrupted, centralized planning for production which is a strong point in the region can be carried out to develop it continuously. This kind of production on an appropriate scale can turn out a large quantity of products and develop the production which is a strong point in the locality into a pillar industry, thus benefiting production services, the promotion of science and technology, an improvement in product quality, and an increase in competitive ability; it is also conducive to the transformation of processing and market exploration, forming "competitive products" which have regional characteristics, increasing the degree of organization among peasants, guiding tens of thousands of households to production and the market, increasing the returns on economies of scale in the region, and increasing peasants' income and revenue income.

Comprehensive development of agriculture has created conducive conditions for the major production areas to develop production on an appropriate scale. In the newly developed barren lands and barren hills, be it cultivation of grain and cotton, or cash crops, or fruit trees, not only the varieties of produce can realize an appropriate scale but contracted operations can also realize an appropriate scale. Through comprehensive development of agriculture we may improve low- and medium-yield farmland, while the contracted rights over land may remain unchanged, but we can advocate and practice professional production on an appropriate scale. When fish breeding and poultry raising are carried out in a dispersed manner and as sideline operations by households, the production level is low, mass production is not available, and economic efficiency is poor; we should and can practice professional fish breeding and poultry raising on a certain scale and develop the undertakings into enterprises.

We should create conditions for an appropriate scale of operation of farmland and promote it step by step. Most

regions still do not have the conditions for an appropriate scale of operation of farmland and, at present, we should not advocate it generally nor promote it forcefully. However, in the long run, an appropriate scale of operation of farmland is the inevitable tendency in the development of an agrarian economy in our country and we will have to embark upon this road eventually. In the developed regions and in the suburbs of big cities, due to the development of township and town enterprises, quite a number of rural labor forces have freed themselves from land and this has created a condition for promoting an appropriate scale of operation of farmland, while in some regions an appropriate scale of operation of farmland to varying degrees has emerged. At present, the major production areas must create conditions step by step. For example, they can expedite the shift of the surplus rural labor forces through running township and town enterprises, developing other nonagricultural production, and developing fish breeding, poultry raising, and growing fruit trees. At the same time, on condition that the system of contracted responsibility on household basis with remuneration linked to output is stabilized, and also on the basis that peasants are acting voluntarily, we will ask the laborers who have already left the farmland to relinquish their contracted rights over farmland to other people and we will promote an appropriate scale of operation, step by step.

#### **VII. Build Pricing Mechanisms Which Are Conducive To Promoting a Steady Increase in Grain and Cotton Output**

Under the conditions of a socialist market economy, no matter how we stress the peculiarity of grain and cotton production we must first see grain and cotton as kinds of commodities, and view grain and cotton production as commodity production. Therefore, we should follow the law of value and properly use price as a means of ensuring a steady development of grain and cotton production. The government should not adopt a *laissez-faire* attitude toward the pricing of grain and cotton, nor allow prices to fluctuate greatly. Through deepening the reform, we must continuously explore and sum up experiences and establish, step by step, the pricing mechanisms which allow the market to determine prices, the state to regulate and control the market, and which are conducive to a steady increase in grain and cotton output.

The purchasing prices of grain and cotton are the main link between the state and the peasants, between cities and villages, and between industrial interests and agricultural interests and they should be maintained at a comparatively reasonable level. When the state fixes the level of purchasing prices of grain and cotton, it should first make sure that the level can arouse peasants' enthusiasm for production; second, it should make sure that the level can reduce the gap between the prices of industrial and agricultural products; and third, it should consider whether or not urban residents can bear it. However, peasants' interests are to be considered first. When the state purchases grain and cotton, it should not purchase at low prices—low as in the original sense—but

should purchase at preferential prices; to judge whether the state's purchasing prices are preferential or not, the main coefficient to refer to is the price formed by the relations between supply and demand in the market. Of course, this kind of price is not based on the excessively high prices at the time when the market faced short supplies, nor based on the excessively low prices at the time the market had unsalable goods.

According to the experience in practice over the years, so long as the prices of grain and cotton can compensate for production costs and allow a certain level of profit, peasants will still be willing to develop grain and cotton production. Therefore, when we fix the purchasing prices of grain and cotton, we should follow the principle of production costs plus a reasonable profit. Production costs include fees for materials and the expenses of labor. To a country with a vast area such as ours, different localities have very different production costs and which production costs from what locality should be selected as a model, is a matter we must further study. What is a good level of a reasonable profit is also a matter we must study. We think that the market prices in the developed coastal region are not suitable for use as reference when fixing nationwide purchasing prices and that the average production costs in the major production areas plus a reasonable profit should be used as a criterion. At the same time, localities are allowed to proceed from different conditions and have reasonable flowing prices to form a reasonable regional price gap, seasonal price gap, variety price gap, and quality price gap throughout the whole country and to promote rational circulation and increase peasants' income in the major production areas. A reasonable price gap between cotton and grain should be maintained. Because various operations have developed rapidly in the rural areas in recent years, the opportunity cost of farm labor has greatly increased and, since cotton production requires more laborers, we should allow the cotton price to be appropriately higher than the grain price, to promote resumption and development of cotton production.

The state must establish a mechanism to regulate and control the grain market. When the grain price in the market rises too high, the state sells grain from its reserves system, to bring the market price down and keep it within a certain limit; when the market price drops below the state's purchasing price, the state continues to purchase grain at the purchasing price, so as to pull the market price back to the level of the state's purchasing price.

Controlling the extent of increase in the selling prices of the means of agricultural production, and maintaining a reasonable price gap between industrial and agricultural products, is also an important issue which cannot be ignored under market economy conditions. If the selling prices of the means of agricultural production cannot be controlled, then the positive effect of raising the purchasing prices of grain and cotton will be offset and peasants' enthusiasm for production will be jeopardized. To say that whether or not peasants will increase input in

production depends on the purchasing prices of farm produce, is not as accurate as to say that it depends on the selling prices of the means of agricultural production. How can the selling prices of the means of agricultural production be controlled under the market economy conditions? The basic answer is to have an adequate supply and a balance between supply and demand. At the same time, we can consider establishing a system of reporting and monitoring the prices of the means of agricultural production and fix the legal profit rates for the production and operation of the means of agricultural production, making it clear that the production and operation of the means of agricultural production can only obtain meager or low profits. There is also a need to rectify the market of the means of agricultural production, cut the intermediate circulation links, inspect the qualification of operators, and allow only the supply and marketing cooperatives and agricultural technology promoters who meet the requirements and shoulder certain market responsibilities to operate the means of agricultural production, to establish a normal order in the market of the means of agricultural production.

At present, the level of development of agriculture-related industry in our country is still rather low and the supply of the means of agricultural production cannot meet market needs in terms of variety, quantity, and quality. In light of this, at the same time as we grasp the development of the production of farm produce such as grain and cotton, we must view agriculture-related industry as an important basic industry and give it priority arrangements, expedite technological transformation and establish several large backbone agriculture-related industrial enterprises, and help agriculture-related industrial enterprises to improve management and reduce production costs, to provide the market with adequate quantity and the right types of the means of agricultural production which have good quality and low prices, thus laying a material foundation for stabilizing the purchasing and selling prices of grain and cotton and forming a comparatively reasonable relationship between the prices of industrial and agricultural products.

#### **VIII. Build a New Grain and Cotton Purchasing and Selling System Which Is Adapted to the Socialist Market Economy**

To develop the socialist market economy we must give play to the market's basic function of arranging resources and, on the other hand, we must strengthen the state's macroregulation and control. The goal of reform of the grain and cotton purchasing and selling system, is to gradually establish a new grain and cotton purchasing and selling system which relies on the market to arrange resources under macroregulation and control by the state.

On the problem of reforming the grain and cotton purchasing and selling system, similar attention must be paid to preventing two tendencies: The first tendency is to inherit the grain and cotton purchasing and selling

system which was formed in the previous period of planned economy, when producers hoped the state would buy all their produce when supply was bigger than demand, operators hoped to maintain monopoly, and those in charge of regulation and control were accustomed to using administrative means to deal with fluctuations in the market; the other tendency is to advocate that purchases and sales of grain and cotton are completely open and that the government adopts a totally laissez-faire attitude, letting market forces spontaneously regulate the relations between supply and demand of grain and cotton. Neither of these two tendencies are conducive to the sustained development of grain and cotton production, nor are they conducive to maintaining a relatively stable grain and cotton market.

Considering the fact that restrictions on purchases and sales of cotton have not yet been lifted (when and how they will be lifted is a big problem to be studied), at present, we should concentrate our strength on formulating a new grain purchasing and marketing system, which is adapted to the socialist market economy, as soon as possible and to tackle the following several tasks:

First, expedite the reform of state-owned grain departments and separate business of a policy nature from business of a commercial nature. We can consider splitting the current state-owned grain department into two. That is, reorganizing one part of it into a grain reserves regulatory system which independently runs the business of a policy nature and reorganizing the other part into a market mainstay according to the demand of modern enterprise system, so that it can participate in market competition. When giving play to the role of state-owned grain enterprises as a main channel, we should advocate and standardize market competition which is characterized by various economic sectors and operational styles, to form a grain circulation system which has no restrictions but management, which has control but not excessively rigid control, which is convenient in purchasing and marketing, and which can be flexibly regulated.

Second, gradually perfect the measures enabling the grain reserves regulatory system to effectively perform the function of stabilizing the grain market. These measures include: The State Grain Reserve Bureau's function should be expanded appropriately so that, within a certain limit, it can promptly make decisions on absorbing or releasing grain according to the market situation; the warehouses holding the reserves should be gradually shifted from the grain-producing areas to the grain-marketing areas; the two-tier reserves function between the central and local authorities should be reasonably distinguished, the job in market regulation and control should go to the central authorities, and local reserves should mainly be used in relief efforts in the localities which are hit by natural disasters; based on the principle that the power to handle matters corresponds to the power to handle finance, and along with the implementation of the revenue-sharing system, the state should allocate more money to establish the grain risk fund.



Third, strengthen management and guidance over business of a commercial nature in grain circulation. In the area of purchasing grain, the purchaser enterprises should sign contracts on purchases and sales with the peasants. The purchaser enterprises are not allowed to deliberately lower the grades of grain during appraisal, or offer lower prices, or give IOUs, whereas peasants must not refuse to hand over the quantity of grain they have promised to sell to the state; the retailers are not allowed to go to the grain-producing areas to directly purchase grain from peasants. In the area of grain wholesale, a system to examine qualifications should be practiced and the main conditions include: First, have certain credit and self-owned funds; second, have the necessary facilities for operation, such as a permanent floor space, warehouse, and examination means; and third, have certain stock and shoulder the corresponding social responsibilities. Those who fail to meet the requirements for running grain wholesale businesses are not allowed to run the business and, for those who meet the requirements, we must strengthen management and supervision so that they can operate according to law. In the area of grain retail, we want clear price tags and control of the differential profit ratio of wholesale to retail and retailers must maintain a minimum grain stock to avoid supply from running out. We should continue to allow, and encourage, peasants to engage in the grain retailing trade in rural and urban marketplaces.

Fourth, further implement the policy of allowing various provinces to use their own methods to seek a balance between the supply and demand of grain. At present, the grain purchased by state-owned grain enterprises is used mainly to satisfy the consumption needs within various provinces and only a small portion of it is flowing outside the province. Amid the efforts to deepen reform of the grain purchasing and marketing system, we can consider giving more duties and rights to provinces so that they achieve a balance between supply and demand of grain through their own efforts and each province makes its own arrangements for grain production and circulation. The central government will undertake to maintain a balance between the total supply and total demand of grain throughout the whole country, to maintain stable grain prices in the markets across the country, and to ensure realization of this goal through perfecting the grain reserves regulatory system.

#### **IX. Establish Fair and Reasonable Interest Relations Between Production Areas and Grain- and Cotton-Marketing Areas**

Difficult interest relations between production areas and grain- and cotton-marketing areas (mainly the developed coastal region), will affect the enthusiasm for grain and cotton production in the production areas and, to a certain extent, will even restrict economic development in the production areas. Under the conditions of a socialist market economy, the relations between the areas producing grain and cotton and the areas marketing grain and cotton are, in essence, a kind of commodity exchange relationship and the relations between

these two areas must be straightened out according to the general criteria for commodity exchanges.

Given the condition that the relations between the production and marketing of cotton will remain unchanged for the moment, the work to be done at this time is to establish fair and reasonable relations between the areas producing grain and cotton and the areas marketing grain and cotton—relations that are adapted to the market economy and it seems that we can start by doing the following tasks well: First, change the concept and view the flow of grain to outside the province or region as a kind of commodity exchange activity; through the signing of contracts on purchases and sales, standardize the relations between the areas producing grain and cotton and the areas marketing grain and cotton, mainly using legal means supported by the necessary economic and administrative means, to ensure that the contracts are carried out. The state should strengthen management, supervision, and protection of purchase and sale contracts and severely punish any behavior which breaks the contracts. Second, the interest payments, storage fees, and reasonable wastage incurred during purchases of grain should be calculated as operational costs and reflected within prices. Third, the marketing areas must promptly pay the money for the grain they have purchased and make every effort to settle outstanding payments. Cases of eating grain without having paid the money should never be allowed to occur again. If someone fails to pay the money for the grain he has purchased after the deadline, we can consider allowing the central government to deduct an amount from the revenue to be handed over to the province in which the debtor unit is located (the amount should include the outstanding payment, expiry interest, and contract-breaking money), and the province's revenue department will then settle the account with the unit. Fourth, improve the wholesale market and carry out trading within the market. When the marketing areas need grain, they should buy grain in the central wholesale market and regional wholesale markets but they should not go to the villages in the grain-producing areas to buy grain by offering a higher price. At the same time, wholesale trading outside the market should be reduced step by step, the transparency in trading large quantities should be increased through wholesale trading inside the market, and the unhealthy practice of deducting an amount as commission should be eliminated. When the grain wholesale enterprises in the marketing areas go on buying sprees outside their provinces, they should go to the wholesale markets at and above the county level in the grain-producing areas; the grain-marketing areas, especially large and medium-sized cities, can also establish wholesale markets in their own places and use preferential and convenient conditions to lure the wholesale enterprises from the grain-producing areas to their locales to set up marketing offices; and the grain-producing areas and grain-marketing areas can cooperate and, through establishing commodity grain bases by joint efforts and signing purchase and sale contracts, form long-term and stable purchase-sale relations.

### **X. Establish and Improve Policy Systems Supporting Economic Development of Major Production Areas**

On the premise of maintaining a steady increase in grain and cotton production, the realization of overall economic development by the major production areas is a firm foundation on which they can make a bigger contribution to the whole country. Apart from strengthening the policy of supporting agriculture, which is applicable to the whole country, it is necessary to promptly consider establishing and gradually perfecting policy systems to support economic development in the major production areas. This is not only required by the economic development of the major production areas but also by the coordinated economic development of the whole country. When the state supports agriculture, it should first look at the features of its regional distribution pattern and further pinpoint and emphasize the importance of major production areas; whether or not the efforts to support agriculture are vigorous is first to be judged by whether or not the efforts to support the major production areas are vigorous. The central government must make priority efforts to support a number of big production counties and the local governments must also give priority support to a number of the big production counties in their provinces.

The policy systems supporting economic development in major production areas should include many contents, of which the main thing is to give the major production areas favorable policies in the areas of finance, taxation, construction projects, science, technology, and education, to help them create a better external environment.

First, the system of support funds. The state's funds for supporting agriculture, the investment in capital construction of agriculture, and the loans from banks of a policy nature must be arranged to first meet the needs of the major production areas. Everything being equal, the banks of a commercial nature should also give priority to the major production areas when giving loans. The Central Rural Work Conference last October decided to allocate special funds to support 500 big counties which produce commodity grain and 150 big counties which produce quality cotton; these funds must be given to the counties as soon as possible and we can also consider giving them preferential treatment. In light of the fact that the major production areas use a lot of the local funds to purchase grain and cotton, we can consider increasing the loan and credit scale used by the major production counties to purchase grain and cotton for sales in other localities, so that the major production counties can have some funds for overall economic development, especially for the development of processing farm produce.

Second, the system of revenue for support purposes. From a long-term perspective, the revenue-sharing system, which was implemented this year, will help the state to increase its ability to carry out macroregulation and control and promote coordinated development of the economies throughout the whole country. As a result,

the major production areas should and can obtain more real benefits. Because the reform in this area has just begun, the positive effects it should produce have yet to fully emerge and we can consider using an appropriate method to enable the big production counties to achieve more imminent benefits in the area of taxation. Meanwhile, along with the implementation of the revenue-sharing system step by step, and with the increasing financial strength of the central authorities, we can adopt a preferential attitude toward the major production areas in terms of revenue transfer.

Third, the system of science and education for support purposes. Priority should be given to arranging and organizing major scientific and technological research projects relating to grain and cotton production and the major production areas can be used as bases to promote grain and cotton production throughout the whole country. At present, strength must be concentrated on studying and using the techniques for growing, processing, improving, packing, storing, transporting, and selling grain and cotton and, on this basis, building and perfecting the systems of standardizing and monitoring agriculture to ensure that grain and cotton production can bring about economic growth through the use of science and technology and standardized operations. The state's scientific and technological promotion projects, such as the "Bumper Harvest Project" and "Spark Plan," should mainly be arranged in the major production areas. The building of a scientific and technological network for agriculture must first satisfy the needs of the major production areas. Within the state's educational distribution pattern, the proportion of vocational education in the rural areas should be markedly increased during the next few years, to more rapidly improve the quality of rural laborers and meet the needs of realizing the modernization of agriculture, step by step.

Fourth, the system of projects for support purposes. Within a certain period of time we can make priority efforts to adjust the distribution pattern of farm produce-related processing industries in a planned manner and step by step. There is a trend for grain and cotton processing to shift from the coastal cities to the major production areas. Seeing a spontaneous shift is not as good as seeing the state taking the initiative in adjusting the distribution pattern in the grain and cotton processing industries. The state should really strengthen leadership and avoid the shortcomings caused by spontaneous shifts, such as excessively small scale of enterprises, backward technology and equipment, poor quality of products, and a large number of blindly overlapping construction projects. From now on, the newly added farm produce processing projects with grain and cotton as raw materials, including textile, food, and feed projects, should mainly be established in the major production areas. In a planned manner, we should import and establish a number of modernized farm produce processing lines to stimulate development of farm produce processing industry in the major production areas. The farm produce processing industries,

which are located in the coastal cities and must rely on the raw materials being transported from the major production areas far away, can shift to the major production areas when the coastal cities adjust and upgrade their industrial structures.

To conclude, a steady growth in grain and cotton production in the major production areas, and an overall economic development in these areas, is needed to further invigorate our country's rural economy, and even

the whole national economy, and it is needed to ensure social stability throughout the whole country and a smooth process of reform, opening up, and modernization. To solve this problem, we must arouse the enthusiasm on three sides, namely the central authorities, the local authorities, and the peasants. In particular, we must fully arouse, protect, and give play to the peasants' enthusiasm. This is the starting point, as well as the final goal, of the formulation and implementation of policies and this should not be forgotten at any time.



### East Region

#### Lu Rongjing Discusses Anhui Fiscal, Taxation Work

OW0807122194 Hefei ANHUI RIBAO in Chinese  
18 Jun 94 p 1

[Unattributed article: "Restructure Economy, Enhance Economic Efficiency, and Rapidly Increase Revenues According to the Requirements of the New Systems"]

[Text] The Anhui provincial financial work meeting closed on 17 June. Lu Rongjing, secretary of the provincial party committee, delivered an important speech at the meeting. He emphasized: In discussing fiscal and taxation work, we should not keep ourselves within the confines of fiscal and taxation work. Instead, we should take the current opportunity to change our guiding principle according to the requirements of the new fiscal and taxation systems, accelerate economic restructuring, enhance economic efficiency, expand financial resources, rapidly increase revenues, and strengthen Anhui's economic strength.

Wang Yang, member of the standing committee of the provincial party committee and vice governor of Anhui, presided over the meeting. Present at the 17 June meeting were Wu Changqi, vice chairman of the provincial people's congress standing committee; Long Nian, vice chairman of the provincial committee of the Chinese People's Political Consultative Conference; and Ji Jiahong, secretary general of the provincial party committee.

Lu Rongjing said: This is a year in which we will combine package reform with breakthroughs in key areas. Various reform measures have been successively published, and reform of the fiscal and taxation systems form a crucial part of them. To this province, reform of the fiscal and taxation systems is both an opportunity and a challenge, and it creates both pressure and motivation. Whether we can successfully carry it out or not will have a direct bearing on our ability to maintain good development momentum; to take the opportunity presented by the current reform to further improve and optimize the economic structure; to improve economic quality and efficiency, and bring about a sustained, rapid, and healthy economic development; and to create even better conditions and opportunities and lay an even more solid foundation for future development. Besides, only when we actively adapt ourselves to the new fiscal and taxation systems and achieve rapid and highly efficient economic development will we be able to enhance Anhui's overall strength, raise its overall level, and create a new image for this province. Lu Rongjing hoped that all departments at various levels would have the right mindset to understand the great significance of successful reform of the fiscal and taxation systems and successful fiscal and taxation work, and to do good fiscal and taxation work conscientiously.

Lu Rongjing said: At present, fiscal and taxation workers are duty-bound to take up the triple task of supporting rapid economic development, ensuring a smooth deepening of reform, and maintaining social stability. In order to accomplish the task, we must actively adapt ourselves to the new systems, make a timely readjustment of our concepts, and further clarify the basic guiding principle for the fiscal and taxation work. He emphatically pointed out: In order to do good fiscal and taxation work, we must adapt ourselves to changes and make timely readjustment of our concepts for economic, fiscal, and taxation work. We must keep to the idea of development and break the convention of dealing with fiscal and taxation problems within the confines of fiscal and taxation work. We must raise our awareness of the importance of economic efficiency and firmly establish the notion of "economic development depending on economic efficiency, and economic efficiency depending on an increase in revenue." We must change the idea of helping enterprises solely by "reducing their tax payments and profit delivery." We must further straighten out relations between the government and enterprises. We should attach equal importance to both increasing income and reducing expenditure and strive to increase revenue and reduce expenditure simultaneously.

Lu Rongjing particularly emphasized: After the new fiscal and taxation systems are put into practice, all departments at various levels must seize the opportunity to accelerate economic restructuring. During the course of economic restructuring, they should enhance economic efficiency according to the requirements of the new fiscal and taxation systems and the market economy so that revenue is increased and overall economic strength enhanced. It is necessary to solve the problem of incompatibility between the proportion of primary industry in the gross national product and the contribution of primary industry to state revenue. In order to do so, we must accelerate agricultural restructuring, make great efforts to develop good-quality, high-yield, and highly efficient agriculture, and increase the income from agricultural tax and special agricultural products tax. This is the way to help the peasants increase income and become well off and to increase local revenue and financial resources. In restructuring secondary industry we should pay attention to increasing value-added tax, and at the same time appraise the amount of profit and income tax from various products. We should invest our limited capital and material resources in the industries and products with high added value and high economic returns, and truly switch our economy onto the track of enhanced economic efficiency. Our tertiary industry is still at a low level of development due to lack of sufficient attention over a long period. It lags behind the nation's average level, not only obstructing the coordinated development of the primary, secondary and tertiary industries in the province, but also seriously impeding improvement of our overall economic efficiency and the increasing revenues that would bring. In fact, Anhui has great strength and potential in the development of tertiary industry, and that strength and

potential create the best opportunity which must not be overlooked. In addition, to boldly develop the non-state-owned economy is also an important step in accelerating economic restructuring. We should adopt effective measures to make new progress in this regard.

Lu Rongjing said emphatically: We must further smooth financial relations between different levels, and fully inspire initiative of all sectors. In keeping with the new systems, we should take the general interests into account, and properly handle relations between central and local authorities, and between higher and lower levels, so as to ensure the smooth convergence of the provincial and central financial systems. He expressed the hope that all localities would consider matters from their points of view, as well as from central and provincial perspectives, to ensure steady growth in both central and provincial revenues. For their part, the provincial authorities should also realistically consider and accommodate the interests of various localities. We should collect and provide whatever should be taken and given, and properly handle government-enterprise relations. In helping enterprises, the government can no longer follow the previous practice of reducing taxes and allowing enterprises to retain a certain amount of profit. Relations between the government and enterprises should be similar to those between tax collector and taxpayer. Not following the practice of reducing taxes and allowing enterprises to retain a certain amount of profit does not mean the government will relinquish control of enterprises; rather, it means "supplementing tax revenue through financial means" instead of "supplementing tax revenue through tax collection." This will concentrate more financial resources in the government so that the latter can help enterprises develop more effectively. In providing assistance, the government should also adapt to the market economy and select promising enterprises for assistance instead of following the past practice of simply "providing guarantees to all." For their part, enterprises should accommodate the new systems, abandon their dependent mentality, and think of ways to improve themselves to make more contributions to the state. We should properly handle relations between revenue generation and free assistance to enterprises, and between revenue expansion and expenditure reduction, keeping in mind the need to support reform, promote development, and maintain stability. To expand our overall strength, we should develop the economy by every possible means, and to augment Anhui's financial resources, we should increase financial revenue at all levels by every possible means. This will truly turn Anhui into an economically strong province. To maintain a balance through reduced expenditure, we should also control unreasonable increases in expenditure. To maintain a balance through control, we should improve and tighten our control of extrabudgetary funds.

Lu Rongjing urged party and government departments all levels to conscientiously strengthen their leadership over fiscal and taxation work, to give priority to such work, and to carry it out vigorously. Specifically, party

and government leaders should directly involve themselves in such work by truly assuming responsibility for bringing fundamental improvements in local financial conditions. At present, we should improve our understanding, intensify our efforts, make fiscal and tax reforms a major component of the reform drive, and consider budget balancing through increased revenue and reduced expenditure an important task in our overall economic work. Leading cadres at all levels should step up efforts to learn about the fiscal and taxation systems, as well as relevant policies and knowledge. They should also go down to the grass roots to conduct careful investigations and study in light of the actual state of economic development, as well as the new circumstances and problems which have cropped up in the course of putting the new systems into practice. They should promptly find out about the effects of the new systems, thereby firmly keeping the initiative to guide economic work in their hands. Fiscal and taxation departments at all levels should carry out their work creatively, and keep improving their ability to manage financial affairs. The departments concerned should actively coordinate their actions with and lend support to fiscal and taxation work. We should repeatedly publicize our fiscal and tax policies and reforms through various media outlets. We should banish doubts about specific aspects of the policies and reforms, and heighten awareness about the importance of fiscal and tax reforms in all segments of society. Meanwhile, governments at all levels and relevant departments should conscientiously implement the new fiscal and taxation systems and policies, promptly ascertain and sum up useful experiences gained by various localities in putting those systems and policies into practice, and vigorously publicize and promote those experiences with a view to promoting smooth progress in Anhui's fiscal and tax reforms and to raising the province's fiscal and tax revenue to a new level.

#### **Rural Scientific Research Boom in Southern Jiangsu**

OW0907064794 Beijing XINHUA in English 0633  
GMT 9 Jul 94

[Text] Nanjing, July 9 (XINHUA)—With the rapid development of rural industries, more non-governmental scientific research institutes have been set up in southern Jiangsu Province.

Statistics from Suzhou, Wuxi and Changzhou show that there are now over 850 non-governmental scientific and technological research institutes in the three cities.

Of the institutes, 80 percent are run by rural enterprises and the rest are jointly run by the rural towns or villages with universities or institutes in cities.

The institutes involve machine-building, electronics, chemicals, textiles, metallurgy, light industry, building materials, biological products and environmental protection.

The larger institutes generally have over 50 employees and the smaller ones have seven or eight on staff.

Over the past decade, the rural enterprises in southern Jiangsu province made progress in scientific and technological cooperation with more than 1,000 universities and institutes all over the country.

Since the research programs were usually conducted in cities, the cooperation between the rural enterprises and universities sometimes failed to solve technological problems in time.

In recent years, rural enterprises have tended to set up scientific research institutes in rural areas which have contributed to the introduction of new and high technology, development of new products and introducing and training technological personnel.

In Wuxi county, the No. 1 county among the 100 richest counties in China, rural enterprises have introduced more than 10,000 engineers, technicians and university graduates from cities in the past decade.

### **Shandong Province Boosts Offshore Oil, Marine Economy**

*OW0907025294 Beijing XINHUA in English 0244 GMT 9 Jul 94*

[Text] Jinan, July 9 (XINHUA)—Shandong, China's largest coastal agricultural province, has made headway in developing its offshore economy.

Its marine industry output value exceeded 30 billion yuan last year, accounting for one-third of the nation's total as well as of the province's agricultural output value.

With a coastline accounting for one-sixth of the country's total, Shandong has 170,000 square kilometers of inshore sea area, 13,000 square kilometers more than its land territory.

The country's only university of oceanography is located in Qingdao, one of China's 14 open coastal cities in Shandong Province, which houses 40 percent of the country's oceanographical workers.

To tackle the problem of the shortage of natural resources and the contradiction between the rise of the population and the reduction of cultivated land, the provincial government put forward the plan to tap the inshore sea area three years ago.

"As the plan goes into effect, Shandong's marine industry output value will surpass the output value of the land plantation in the year 2010," said a provincial official in charge of the marine economy.

According to the official, people in the coastal areas with Qingdao, Yantai and Weihai cities in the main are tapping the marine resources including salt, crude oil and aquatic products.

The provincial marine science progress contributes to 40 percent of the increase in the marine industry.

Chen Zongyao, director of the provincial bureau of aquatic products, said that Shandong has expanded its sea area for breeding aquatic products to 400,000 hectares.

The provincial output value of aquatic products climbed to 22 billion yuan last year, doubling the output of 1990 and accounting for one-third of the gross output value of the marine industry.

At present, the output value of fisheries in Weihai and 15 cities and counties along the coastal areas of Shandong has topped that of plantation.

A survey shows that Shandong turned out 6.18 million tons of salt last year and is producing chemicals with salt as a basic raw material.

Last year saw the Shengli oilfield, China's second largest after the Daqing oilfield in northeast China, generate a record of more than 100,000 tons of oil.

In addition, Shandong is speeding up port construction. The province has 25 sea ports and 195 berths with a combined handling capacity topping more than 100 million tons.

It has opened shipping routes linking the province with more than 300 ports in over 60 countries and regions.

According to the official, the rapid development of the marine economy has enlivened local economies.

Altogether 15 fishery companies have set up aquatic processing bases to offer more jobs to local surplus laborers.

A survey report shows that 120,000 laborers from interior parts of the country are engaged in the ocean industrial development in Shandong Province at present.

### **Wu Bangguo Addresses Shanghai Cadres Meeting**

*OW1107141494 Shanghai WEN HUI BAO in Chinese 30 Jun 94 p 1, 6*

[Unattributed article: "Wu Bangguo Calls For Conscientious Implementation of the Guidelines of the National Educational Conference at the Municipal Cadres Meeting"; "We Should Grasp Educational Work Just as We Grasp Economic Work and Give Priority To Educational Development"; "Huang Ju Makes Plans for Implementing the Guidelines of the National Conference on Education"]

[Text] At a municipal cadres meeting, held yesterday by the Shanghai Municipal CPC Committee and the municipal government, to study and convey the guidelines of the national conference on education, Wu Bangguo, secretary of the Shanghai Municipal CPC Committee, said: Education is an undertaking of the whole party and



the entire society. Therefore, we must further implement the strategic task of giving priority to educational development. Leaders at all levels must conscientiously study the guidelines of the conference and understand its importance.

Wu Bangguo presided over the meeting. He also made an important speech. He said: The national conference on education is an important meeting held at a time when China is accelerating the pace of building a socialist market economic structure and the pace of the modernization drive. The important speech by Comrade Jiang Zemin and Comrade Li Peng's keynote report profoundly expound Comrade Deng Xiaoping's thought on education, comprehensively elaborate the strategic policy of giving priority to educational development, and fully embody the determination and ardent expectations of the party Central Committee and the State Council in developing education. This will have a great impact on mobilizing the whole party to conscientiously implement the "Outline for Reform and Development of Education in China" and to promote reform, opening to the outside world, and the modernization drive.

Wu Bangguo spoke on three issues. 1. Since the Third Plenary Session of the 11th CPC Central Committee, the Central Committee has repeatedly stressed the strategic importance of education in the socialist modernization drive; it has issued important directives on educational work in every important phase of national economic and social development. 2. Education occupies a place of strategic importance in Shanghai's economic and social development. He said: To a large degree education has benefited Shanghai's economic development and social progress. Never has Shanghai relied on the support of education as much as it does now. Comrade Xiaoping has praised Shanghai's explicit advantage in trained personnel, technology, and management expertise. It is not possible to have such an advantage and to maintain it without education. If Shanghai is to maintain the momentum of sustained, rapid, and healthy development of its economy, it must lose no time in stepping up readjustment of its industrial setup. This urgently requires that we train a large number of new, high-grade professionals, raise the quality of workers, and train qualified laborers to meet the needs of the modernization drive. Moreover, if Shanghai is to play its role as the "leading dragon head" and the role of being "three centers," it has the duty and obligation to "serve the entire country" in the field of education. In such a situation, Shanghai is faced with the urgent task of stepping up educational reform and development. Party committees and governments at all levels and educational departments throughout the municipality must regard education as a part of the overall plan for reform, opening to the outside world, and the modernization drive, and include education in the overall strategic plan for Shanghai's development in the 90's or even the 21st century, in order to make education meet the needs of economic development, scientific and technological advances, and social prosperity. We should actively

explore ways to build an educational structure that suits the socialist market economy, to maintain a contingent of high-quality teachers in all types of school, to strengthen and improve moral education in schools, and to bring about a considerable breakthrough in educational reform and development in Shanghai. 3. We should actively prepare for the convening of a meeting on educational work in Shanghai. The municipal party committee and municipal government have decided to convene a municipal meeting on educational work prior to this year's Teachers' Day, during which Shanghai's specific program for implementing "Opinions on the Implementation of 'the Outline'" and opinions for implementing the "Law on Education (draft)" will be put forward.

Wu Bangguo called on party and government leaders at all levels to take the lead in studying Comrade Deng Xiaoping's theses on education, Comrade Jiang Zemin's important speech made at the national conference on education, and Comrade Li Peng's keynote report at the conference. They should grasp educational work just as they grasp economic work, eschew empty talk, and do more practical work. They should go to the basic units to conduct investigations and studies; put forward new ideas and new countermeasures to deal with the new problems encountered in educational reform and development in the new situation; and try to effectively solve the new practical problems in educational work in their respective areas. The whole party and all sectors of society should work very hard to give "priority to the development of education." In the days to come, they should devote more efforts to mobilizing public opinion to support "priority for education," to doing more practical work to promote "priority for education," and to making the idea of "giving priority to education" a common practice in society.

Wu Bangguo also pointed out: We should strengthen and improve moral education. In accordance with the age of students, we should conduct among them education on general and easily understood basic theories of Marxism-Leninism-Mao Zedong Thought, particularly Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics; education on the party's basic line; and education on patriotism, collectivism, and socialist ideology and ethics, in order to guide their healthy growth.

Huang Ju, deputy secretary of the Shanghai municipal party committee and mayor of Shanghai, worked out a plan for implementing the guidelines of the national conference on education. First, he urged party and government leaders at all levels to further implement the strategy of giving priority to educational development and to arrive at identical views in five aspects: Education is a leading basic industry that has a bearing on the overall situation; in economic construction, it is necessary to rely on scientific and technological advances and to raise the quality of workers; the only solution to the educational problem is reform; education is a common undertaking of the whole party and all sectors of society;

and leadership is the key to developing and reforming education, building a first-class city, and developing first-class education.

Second, Shanghai should aim high in implementing the "Outline for Reform and Development of Education in China." The "Outline" provides a blueprint for the reform and development of education in China by the end of this century. While focusing on improving and invigorating the educational structure, increasing investment in education, upgrading the quality of teachers, and improving educational legislation, Shanghai should, in accordance with the requirement to create a first-class city and develop first-class education, continue to advance its educational reform. It should observe high standards in implementing the "Outline" and create a new system in which the government plays the central role in running schools, all walks of life pool their efforts to expand education and in which there will be a new operating mechanism for education, increased investment in education, and the quality and wages of teachers will be upgraded and increased. In outstandingly implementing the "Outline," Shanghai should also embody the strategic idea of "serving the entire nation and meeting the challenges of the world."

In the 45 years since China's liberation, Shanghai has trained 600,000 college graduates and 28,000 postgraduates and dispatched them to various trades and industries in Shanghai and throughout the country. Of all the college students in Shanghai, about 45 percent are from other areas. Shanghai belongs to the whole country. Therefore, it should do a good job in playing its role as a base for dispatching qualified personnel to various areas of the country.

Third, party and government leaders at all levels should grasp educational work just as they grasp economic work and strive to do the following tasks well: Planning for economic and social development in their respective areas should include a plan and objective for the development of education; educational targets should be included in the goal to be fulfilled by leading cadres during their term of office; requirements for and examination of educational work should be included in annual government work reports to be delivered to people's congresses; and in evaluating the performance of leading cadres, their credit in educational work should be considered.

Huang Ju also called on the district and county party committees, governments, and various relevant departments to convene corresponding cadres meetings to convey the guidelines of the national conference on education to all basic administrative units. He also urged them to organize, in the next two months, special groups to conduct investigations and studies and to draw up plans and measures to implement the guidelines of the national conference on education. The municipal party committee and the municipal government have decided to convene a Shanghai meeting on educational work in early September, just prior to the 10th Teachers' Day, to

map out a specific plan for Shanghai to implement the guidelines of the national conference on education. During the meeting, party committees, governments, and relevant departments will exchange their methods and experiences in taking practical measures to promote education. In conclusion, Huang Ju said: Guided by Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and under the leadership of the party Central Committee with Comrade Jiang Zemin as the core, if we all work with one heart and one mind in line with the guidelines of the national conference on education, a new situation will certainly emerge in Shanghai in which Shanghai's education will develop vigorously and people of talent will come forth in large numbers.

Attending the meeting were Chen Zhili and Chen Liangyu, deputy secretaries of the Shanghai Municipal CPC Committee; Ye Gongqi, chairman of the Shanghai Municipal People's Congress Standing Committee; and Chen Tiedi, chairman of the Shanghai Municipal Committee of the Chinese People's Political Consultative Conference [CPPCC]. Vice Mayor Xie Lijuan briefed the meeting participants, numbering nearly 1,000, who included party and government leaders from departments, districts, and counties; the principal leaders from the people's congresses and CPPCC committees of districts and counties; and the principal leading cadres of the municipal discipline inspection commission, municipal procuratorate, municipal higher court, municipal trade union, youth, and women's organizations, universities and colleges, and the military units stationed in Shanghai, on the national conference on education and its guidelines.

### Central-South Region

#### Construction Minister Hou Jie Inspects Guangdong Floods

OW1207040594 Beijing XINHUA in English 0153  
GMT 12 Jul 94

[Text] Guangzhou, July 12 (XINHUA)—Guangdong's water conservancy projects have proved effective in controlling one of its worst floods in history, which battered parts of the province in June.

According to a provincial official, Guangdong has allocated 18 billion yuan (2.3 billion U.S. dollars) over the past four decades for the construction of water conservancy projects. The recent few years have seen a larger increase as over two billion yuan has been spent on such projects each year.

With the investment, the province has built a complete flood control system which combines flood control with irrigation, power generation and water supply.

Despite economic and human losses in the northern and western parts of the province, the Pearl River delta, a flourishing economic zone in the province, saw slight damage.

"We should owe this to the water conservancy projects," said Hou Jie, Chinese minister of construction, who was on an inspection tour to the flood-stricken areas in Guangdong as a special envoy of the State Council.

According to provincial officials, the 330 large and medium-sized reservoirs and all the major dykes in the Pearl River delta stood the test of the recent flood as most of them had been rebuilt or consolidated before the flood water swept through the area.

### Thirty Hubei Firms Try Out Modern Enterprise System

OW1007125794 Beijing XINHUA in English 0604  
GMT 10 Jul 94

[Text] Wuhan, July 10 (XINHUA)—The capital of central China's Hubei Province has chosen 30 enterprises to try out a modern enterprise system, in an effort to invigorate the local economy.

An official of the Wuhan city government said that of these enterprises 20 are manufacturers, two are transportation companies, six are commercial firms, one is a construction company and another is a high-tech company.

The official said these pilot enterprises include the Wuhan Iron and Steel Company (a major steel producer), the Wuhan Heavy Machine Tools Plant, the Huazhong (central China) Shipping Group and the Wuhan Department Store.

Most of these enterprises are efficient and profitable state-owned firms, he said.

As part of the modern enterprise reform, these firms will institute a legal entity system, under which the ownership rights of investors will be defined, he said.

They will also introduce a corporate system, and most of them will become limited-liability companies, he said.

They will have the authority to set up their own managerial offices, he said.

Incomes of managers will be paid on an annual basis, while wages of workers will be tied to their performance, he added.

These pilot enterprises will also institute a new financial and accounting system in line with international standards, he revealed.

### Hubei Province Improves Basic Facilities

OW1207064094 Beijing XINHUA in English 0620  
GMT 12 Jul 94

[Text] Wuhan, July 12 (XINHUA)—Central China's Hubei Province has been trying to improve its basic facilities since the country adopted reform measures and the open policy in 1979.

So far, the province has invested 160 billion yuan (about 18.6 billion U.S. dollars) in the construction of more infrastructure facilities, according to local officials.

Over the past few years the province has installed six generating units at the Geheyan hydroelectric power station on the Qingjiang River, the Yangluo power plant in Wuhan's suburbs and at the Huangshi power plant. At present, new generating units with an aggregate generating capacity of 1.7 million kw have been put into operation.

Besides building a high-grade highway linking this provincial capital, to Huangshi, a major production center of raw materials, the province has also built two airports, including an international airport in Huangpi County, Wuhan city, constructed two bridges on the Hanjiang River, and part of the high-grade highway from Yichang to Huangshi.

While speeding up construction of the section in Hubei of the Beijing-Kowloon railway line, it has also built a railway-highway bridge linking the Xiaochi Economic and Technological Development Zone in the province's Huangmei County and Jiujiang city in Jiangxi Province, and two other highway bridges at Wuhan and Huangshi.

At present, domestic flights from Wuhan to other parts of the country have increased from 158 a week to 208. In addition, chartered flights from Wuhan to Hong Kong are available each day.

The province has also made great progress in improving its telecommunications conditions.

It has made painstaking efforts to improve its service facilities. Construction of 10 star-rated hotels is underway, some of which will be finished and be put into operation at the end of this year.

Work has also started on building the Honglian Lake tourism and holiday zone and an international golf course at Liangzi Lake, both situated in the eastern part of Hubei, dubbed the "Province of 1,000 Lakes."

### Hunan Governor Interviewed on Economic Development

HK1207080794 Hong Kong WEN WEI PO in  
Chinese 21 Jun 94 p A3

["Dispatch" by staff reporters Wu Tai-chi (0702 3141 1015), Lu Wei-kun (7120 4850 7649), and Liu Chung (0491 0394): "Hunan Province Decides To Adjust Its



### Overall Economic Structure To Promote the Development of Foreign-Invested Enterprises"]

[Text] Chenzhou, 20 June—In an exclusive interview here a few days ago, Hunan Governor Chen Bangzhu said: Hunan's overall economic quality and structure are still not rational. In light of this situation, Hunan has formulated a "structural benefit development strategy." The essential point of the strategy is to adjust economic structure, raise economic benefit, and improve the overall economic quality.

Chen pointed out: There are irrationalities in Hunan's overall economic quality and structure. Hunan is a major agricultural province. Previously, agriculture always accounted for a large proportion but, despite its great contribution, the agricultural income was low. The industry has a certain foundation but it has failed to develop superior products or enterprises on an appropriate scale. For this reason, industry is still a weak link. Moreover, tertiary industry is still at a stage of gradual development.

In view of this, Hunan has worked out a series of adjustment measures:

- Consolidate, transform, and develop the traditional primary and secondary industries. Agriculture should be further developed by building important bases to supply the state with commodity grains and pigs and by developing highly efficient agriculture that will enable peasants to move toward a comparatively well-off life. It is necessary to gear industry to the market, further adjust the product mix, and adjust the enterprise organizational structure.
- Grasp the five new "economic growth points" to enable township and town enterprises, the self-employed private economic sector, tertiary industry, high and new industry, and foreign-invested enterprises to develop rapidly.
- Step up infrastructural construction and improve the hard environment for investment. The focus of investment and construction should be placed on four aspects, i.e. highways, water, electricity, and telecommunications. Hunan is now planning the construction of a 107 expressway.
- Rely on science and technology to improve the quality of laborers and firmly grasp professional training and education.

On the question of introducing foreign capital, Chen Bangzhu pointed out: The two key points of investment are the construction of infrastructure and the technological transformation of old factories. To this end, Hunan is making great efforts to improve the soft environment and use laws to protect the legitimate rights and interests of foreign parties. Not only has the provincial government formulated relevant regulations, but the provincial people's congress has also approved legal provisions to define preferential policies toward foreign investment.

This is rare in China. Moreover, to facilitate foreign investment, Hunan has set up a unified investment invitation bureau, which will collectively examine projects, simplify procedure, and raise efficiency.

He also stressed: Hunan is concentrating its efforts on creating a good social environment, tightening public security, and improving fee-collection management so as to provide foreign businesses with satisfactory external conditions.

### Southwest Region

#### Tibet Higher People's Court Report

OW0807055694 Lhasa XIZANG RIBAO in Chinese 12 Jun 94 p 2

["Work Report of the Tibet Autonomous Regional Higher People's Court," delivered by Bai Zhao, president of Tibet Autonomous Regional Higher People's Court to the Second Session of the Sixth Tibet Autonomous Regional People's Congress on 20 May 1994]

#### [Text] Deputies:

Since the First Session of the Sixth Tibet Autonomous Regional People's Congress that was convened in January 1993, courts across the region—under the leadership of party committees at all levels, the supervision of people's congresses, the support of people's governments, and the supervision and guidance of the Supreme People's Court, and taking Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the party's basic line as their guidance—have implemented in earnest the guidelines of the 14th CPC National Congress, the Third Plenary Session of the 14th CPC Central Committee, the Fourth and Fifth (Enlarged) Plenary Sessions of the Fourth Tibet Autonomous Regional CPC Committee. Focusing on the three pivotal tasks—that is, economic development, the anti-corruption drive, and maintaining stability—and bringing into full play their adjudicating functions, they have stepped up efforts in adjudicating criminal, economic, civic, and administrative cases, further raised the level of judicial administration, and earnestly discharged the functions vested in them by the constitution and other laws. Of the 3,092 cases of all kinds accepted and heard, trial proceedings have been completed for 2,581 cases. By way of adjudicating all kinds of cases in accordance with law, we have dealt blows at crimes, punished illegal activities, and regulated economic and social relations, playing a positive role in safeguarding social stability; protecting the legitimate rights and interests of citizens and legal persons alike; promoting reform, opening up, and economic construction; and creating a safe, harmonious environment in which the people of Tibet can live and work in peace and contentment. Fresh progress has been made in work in all areas. I now submit the following report on key points of our work and suggestions for work in 1994 for your examination. **I. Adjudication of Criminal Cases**

In 1993, people's courts at all levels in the region earnestly performed their responsibilities as organs of the people's democratic dictatorship, intensified their functions in exercising this dictatorship, and made continued efforts in persisting in the policy of severely and promptly dealing with offenders in accordance with law. Through the adjudication of major cases, they dealt relentless blows at counterrevolutionary crimes and criminals who gravely threatened public security and disrupted economic development. The courts accepted 654 criminal cases during the year, up 14 percent over 1992. Of those cases, judicial proceedings were completed in 617, resulting in the enforcement of sentences against 923 convicts. Of those convicts, 425, or 46 percent of the total, were sentenced to jail terms of five years or more, life imprisonment, or death, up 5 percentage points when compared to 1992, thus enhancing the intensity of the crackdown; 466 offenders, or 50.5 percent, were sentenced to fixed-term imprisonment less than 5 years, criminal detention, or control. Twenty-three, or 2.5 percent, were exempted from criminal punishment and nine, or 1 percent, were found innocent.

(1) We cracked down hard on the sabotage activities of separatists in accordance with law. Cases involving counterrevolutionary propaganda and demagoguery handled by the region's courts have been on the rise in recent years. Bent on overthrowing the political power of people's democratic dictatorship and the socialist system, and driven by the scheme of splitting the motherland, sabotaging national unity, and disrupting reform, opening up, and economic construction, a handful of separatists who were swollen with counterrevolutionary arrogance wantonly carried out activities aimed at splitting the motherland and gradually spread their counterrevolutionary activities from the cities to the countryside. They were the leading factor affecting the region's political stability. With the characteristics of the counterrevolutionary struggle in mind, courts across the region continued to give top priority to the antise separatist struggle in 1993 and waged a blow-for-blow struggle by legal means against the separatists. In adjudicating these cases, we persistently adhered to the principle of "taking facts as the basis and law as the criterion" and the policy of "being firm yet cautious" and strictly followed the litigation procedure and system prescribed by the Criminal Procedure Law, thereby ensuring the quality of adjudicating cases. Meanwhile, in line with the principle of redemption through education, we did not investigate the criminal responsibility of ordinary participants in counterrevolutionary activities whose offenses were minor and who showed signs of repentance; instead, they were treated leniently in accordance with law. The struggle against separatists is a long-term task in our region. The people's courts will, regardless of the circumstances, exercise their functions of dictatorship to deal firm and telling blows at the handful of separatists in order to safeguard regional stability and ensure the smooth progress of reform, opening up, and economic construction.

(2) We deepened the crackdown and came down hard on crimes that seriously endangered society. In 1993, people's courts at all levels, upholding the principle of acting strongly and promptly according to law, worked with public security and procuratorial departments in cracking down on crimes, especially premeditated murders, crimes of inflicting serious injuries, robberies, rapes, hooliganism, and bombing. To build up the might and momentum of the crackdown, as well as to broaden their social effects, people's courts at all levels strove to speed up the handling of cases being prosecuted in courts and promptly punished the convicts, and the vast number of people applauded the efficiency. The courts sentenced 317 people in 210 cases of this nature, which respectively accounted for 34 percent and 32 percent of the total number of criminals sentenced and the total number of adjudicated criminal cases.

Larceny, which occurred quite frequently in Tibet, had a direct impact on social stability and safety of public and private property. People's courts at all levels in Tibet always attached great importance to cracking down on theft in an effort to make people feel more secure and safeguard public property as well as the legitimate rights and interests of citizens and legal entities regarding their property. In 1993, people's courts in Tibet handled 255 cases of larceny and sentenced 379 thieves. The heavy sentences given to the ringleaders of larceny gangs, major thieves, recidivists, and drifters; and the death sentences given to those who stole especially huge sums and who must die to alleviate public anger have produced fairly good social effects. During the fight against larceny, people's courts also cracked down on traders of stolen goods, thus intensifying the fight against theft.

Acting on the National People's Congress (NPC) Standing Committee's "Decision on Intensifying Comprehensive Management of Public Security" during the crackdown, people's courts at all levels took part in society's comprehensive management of public security through various means, in light of the local situations and characteristics. First, we took active part in educating the public on the legal system with publicity measures centering around public trials. According to incomplete statistics, we held 66 sentencing rallies, in which over 400,000 people attended; publicized the legal system and provided legal consultative services through various means on 50 occasions, and wrote more than 40 articles to publicize the legal system. The use of many of these articles by the media amplified publicity effects. Second, we put forward judicial suggestions for management problems in relevant units discovered during the course of handling cases. Relevant units accepted many of the 40 or so written suggestions we put forward. Our suggestions played a positive role in helping these units improve their management, plug loopholes, and reduce and forestall all forms of crime and dispute. Third, we earnestly implemented the "Juvenile Protection Law," following the principle of educating, reforming, and redeeming juvenile delinquents, and incorporating education with judicial administration and punishment.

While trying juvenile delinquents, people's courts at all levels expedited the work of reforming and redeeming juvenile delinquents by incorporating education with trials and intensifying the work of observing the performance of those on parole. Fourth, where possible, people's courts, as legally appropriate, placed minor offenders on parole or placed them under control, counting on the masses' efforts to reform them. Fifth, for criminal elements who repented and performed meritorious services when subjected to reform through labor, people's courts reduced their sentences or released them on parole according to law. A total of 481 people in 481 cases were released on parole or had their sentences reduced. Sixth, people's courts tightened the work of handling people's complaints, in the form of letters and visits, to defuse contradictions. We handled 488 people's complaints and finished processing 132 complaints of all descriptions.

(3) Dealing heavy blows to serious economic crimes, resolutely cracking down on corruption, and severely punishing serious economic crimes are important measures to strengthen the building of a clean and honest government and to oppose corruption. They constitute the essential conditions and important safeguards for the establishment of a socialist market economic structure. In 1993, people's courts at all levels in the autonomous region earnestly implemented the NPC Standing Committee's "Supplementary Regulations Governing the Punishment of Embezzlement and Bribery" and "Supplementary Regulations Governing the Punishment of Smuggling," particularly the series of important instructions issued by the central authorities on launching anticorruption struggle. They placed the trial of major and important cases and the promotion of the anticorruption struggle high on their agenda, and carried out meticulous planning and organization, which produced fairly good results. They received 17 cases of embezzlement, involving 19 people; five cases of misappropriation of public funds, involving five people; one case of bribery, involving one person; 16 cases of swindling, involving 19 people; two cases of forgery of national currency, involving 11 people, and 94 cases of theft of state property, involving 131 people. The total value involved in these cases reached 2,253,500 yuan. Three people involved were at the county department level. Eighteen were major cases, each involving more than 10,000 yuan. These crimes not only involved a large sum of money and were harmful, but they also severely corrupted party style and social atmosphere and aroused strong resentment among the people. Take the case of Awangbanjiu, former standing committee member of the Basu county party committee and secretary of the Basu county discipline inspection committee, for example. During his tenure as head of the Bangda Airport supplies department, he embezzled 109,000 yuan in collusion with others. Wang Yi, former savings clerk and cashier at the Gongga Airport office of the People's Construction Bank of China, used his position to embezzle more than 160,000 yuan. Song Fuhai, a clerk at the Milin County gas station, used his job to embezzle more than 120,000

yuan worth of gas. After verifying the evidence, people's courts meted out severe punishment to the offenders in accordance with the law. Wang Yi was sentenced to death with two years' probation, Song Fuhai to life imprisonment, and Awangbanjiu to 14 years of imprisonment. The trial of these cases led to the recovery of more than 1.7 million yuan of economic losses for the state. At the same time, they demonstrated to the masses by actual deeds the determination of the party and government in punishing corruption. Their action received words of praise from various social circles and support from the masses of people.

Cracking down on economic crimes is a long-term task of the party and the state at present and for some time to come. From now on, people's courts at all levels in our region will attach greater importance to this work, focusing on striking at state functionaries who use their positions to engage in embezzlement, bribery, misappropriation of public funds, and other crimes. At the same time, they will take resolute steps to crack down on smuggling, swindling, manufacturing and selling fake and substandard commodities, and tax evasion and defaulting. They will particularly carry out the trial of major and important cases, including criminal cases involving legal entities. Any person whose action constitutes crime, no matter who, will be resolutely investigated and punished in accordance with the law, in order to make unprecedented advances in the region's struggle against economic crimes. **II. The Adjudication of Economic, Civil, and Administrative Cases**

The difference between adjudicating economic, civil, and administrative cases and adjudicating criminal cases is that in the former, cases are accepted, tried, and executed directly by the court, resulting in a large amount of work. As our region's reform deepens, as it opens wider to the outside world, and as its economy develops, every aspect of its social life has undergone profound changes. This more and more frequently requires the use of legal means to regulate our economic and social relations. This has created heavy workloads. Under these circumstances, while strengthening efforts to try criminal cases in 1993, people's courts at all levels in our region also stepped up the adjudication of economic, civil, and administrative cases, and fully exercised their regulatory, protective, and supervisory functions. This contributed greatly to the region's economic development and stability. A total of 1,836 economic, civil, and administrative cases were handled, of which 1,617 cases, or 88 percent of the total, were concluded.

(1) The courts actively regulated economic relations and took the initiative to serve the needs of reform, opening up, and economic development. People's courts at all levels in the region further strengthened the guiding ideology of serving the needs of reform, opening up, and economic construction and enhanced the awareness of market economy and service. They made full use of the role played by the adjudication of economic cases in regulating economic relations to promote the establishment of socialist market economic structure. During the



year, they received 172 cases of different categories of economic disputes, of which 153 cases, or 89 percent of the total, were concluded. The amount of money involved in these lawsuits totaled 11.522 million yuan. The adjudication of economic cases has helped guide and regulate market behavior, ensured the fulfillment of contracts, safeguarded normal economic order, and promoted reform, opening up, and economic construction.

—We helped enterprises replace their operating mechanisms through handling cases concerning enterprises' contractual, leasing, and joint operations. To encourage enterprises replace their operating mechanisms, people's courts at all levels followed through with central authorities' decision on tightening macroeconomic regulation and control and with the "Regulations Governing the Change of Operating Mechanisms in State-Owned Industrial Enterprises," and took timely actions to establish files on cases concerning enterprises' contractual, leasing, and joint operations; and to try these cases and pronounce and execute verdicts promptly. People's courts finished trying 58 cases concerning disputes over leasing and joint operations between enterprises. During the trials, people's courts at all levels strictly followed state regulations concerning legal entities and paid attention to protecting enterprises' operating autonomy.

—We developed and improved the market through handling cases concerning disputes over economic contracts, such as contracts about purchasing, marketing, and loans. Such disputes are frequent in Tibet. Last year, people's courts accepted the handling of 33 cases concerning disputes over contracts of purchasing and marketing, and 36 cases concerning disputes over loan contracts, accounting for respectively 19.2 and 20.1 percent of the total number of cases accepted for handling. Disputes over contracts of purchasing and marketing were primarily caused by changes of market prices, disputes over quality, failure to honor contracts without a legitimate reason, and the manufacturing and selling of counterfeit and inferior products; and most of the disputes over loan contracts were caused by delinquent payment of loans extended by banking institutions. Through handling such cases, people's courts ensured the fulfillment of contracts, protected legitimate competition, punished lawless conduct, expedited the healthy development of markets in Tibet, and gave banking institutions the support they needed in collecting loans in accordance with the law.

—We assisted relevant departments to regulate the order of Tibet's capital construction projects through handling cases concerning disputes over construction contracts. The number of construction projects which Tibet has contracted to build has been increasing in recent years. The 22 cases of this nature which people's courts accepted for handling last year represented 12.8 percent of the total number of cases accepted. The disputes, which occurred primarily between construction units and contractors outside Tibet, were

mostly caused by project quality and payments. Disputes over subcontracting have also become more frequent in recent years, and the phenomenon shows that Tibet's capital construction is plagued by problems which we cannot afford to disregard. When we tried these cases, we also proposed to relevant departments about the need to correct their problems.

—We tightened the enforcement of verdicts, making sure that valid verdicts were executed on a timely basis and that the authority of law was upheld. In recent years, owing to the fact that certain enterprises were unable to repay their debts due to financial problems and that certain parties concerned evaded the law—and especially when there were interferences from local protectionism and departmental protectionism—verdicts pronounced in many cases of economic disputes could not be enforced and the legitimate rights and interests of the parties concerned were not effectively safeguarded, and the solemnity of the law was affected. In 1993, despite tight budgets and outmoded equipment, but thanks to the leadership of party committees and with support from people's congresses, people's courts in Tibet reshuffled their personnel and intensified enforcement while handling cases impartially according to law. They enforced 219 verdicts which involved more than 10 million yuan, thus upholding the law's solemnity and safeguarding concerned parties' legitimate rights and interests.

—We strove to broaden the sphere of service and provide economic construction with all kinds of services. In 1993, all local people's courts, to keep pace with reform, opening up and economic development, emancipated their minds, changed their mindsets, and actively explored new ways to serve reform, opening up, and economic construction. To improve judicial administration, many courts of law sent personnel to enterprises to hear the views of directors and managers about court operations. Some courts also established liaison with enterprises and hired judicial liaison personnel to find out about enterprise operations and management. Some courts also sponsored training classes on economic regulations and took the initiative to provide legal services. Many courts also reformed their way of hearing cases by establishing centers to mediate economic disputes. The simple and flexible measures employed to mediate economic disputes in accordance with the law have produced fairly good social effects.

We seriously did a good job in the adjudication of civil cases, conscientiously protected the civil rights of citizens and legal persons, and promoted stability and unity. Civil right is a basic right of citizens and legal persons. With the development of the economy and gradual perfection of the legal system, the citizen's awareness of the law has been enhanced constantly and the number of civil lawsuits has increased year by year. In 1993, the courts accepted 1,643 civil cases, accounting for 66 percent of the total number of cases accepted for trial in courts of first instance. Civil cases are great in number

and they concern all aspects of life and production in society, as well as the vital interests of the broad masses of the people. To try these cases correctly and promptly, protect the legitimate rights and interests of citizens and legal persons, and punish violators of civil law will play an important role in resolving social contradictions, strengthening unity among the people, maintaining social stability, and promoting economic development. The courts at all levels in this region seriously implemented the "General Code of the Civil Law," "Marriage Law" and relevant interim regulations, "Inheritance Law," and "Civil Procedure Law," as well as other civil laws and regulations. They actively improved the methods, quality and efficiency of adjudication. In 1993, they completed the adjudication of 1,445 civil cases, or 88 percent of the total. These cases involved marriage, family, and property disputes, including cases of divorce, alimony, foreclosure of home mortgages, and claims for damages. Some cases involved contradictions which were apt to be intensified, such as disputes over land, water resources, and pasture. There were also new cases which involved character assassination and copyright infringement. Cases involving marriage and family disputes were the commonest. The courts accepted 783 such cases, accounting for 48 percent of the year's total number of civil cases tried in first-instance proceedings. The development was mainly the result of changes in people's outlook on marriage and family and changes in their property relations in recent years. At the same time, the number of cases involving debt, claims for damages, and other matters concerning people's everyday life also rose sharply. During the adjudication of civil cases, the courts at various levels paid attention to publicizing the legal system, educating citizens to foster good customs and habits, and building socialist spiritual civilization. They effectively carried out painstaking and meticulous ideological work, emphasized persuasion and mediation, and urged the concerned parties to understand each other, make concessions to each other, and be reconciled with each other. Of the cases adjudicated in 1993, 55 percent were concluded as a result of mediation, 20 percent were brought to an end after judgments were handed down, and 25 percent ended in other ways. The adjudication of those cases helped protect the litigants' personal rights, property rights, and other lawful rights, and promoted the building of the two civilizations.

While doing a good job in the adjudication of civil cases, the courts at various levels, particularly the grass-roots people's courts, took into consideration Tibet's organizational inadequacy and overcame financial difficulties to provide more and better guidance to the work of the mediation committees, successively trained 141 cadres for mediation of civil disputes, and guided those cadres in mediating 8,749 simple disputes. In this way, they made the mediating organizations play the role of "first line of defense" in the comprehensive efforts to improve public order, resolved a large number of civil disputes at the grass-roots level, eliminated such disputes in the embryonic stage, and promoted overall improvement of public order.

During the adjudication of civil cases in recent years, we found that polyandry and children born out of wedlock were the more conspicuous problems in rural and pastoral areas. While some of these problems arose before the promulgation of "Marriage Law," many of them came into being in recent years and tended to spread. These problems violated "Marriage Law" and socialist ethics and created many difficulties in protecting women's physical and mental health and in providing subsistence and education to children born out of wedlock. We must take effective measures to solve these problems as soon as possible. However, the problems cannot be solved by the courts alone. Both the government and the people of all walks of life should attach importance to the problems, and take various measures and work together to solve them.

(3) We brought into play the functions of judicial supervision by handling administrative cases in an active and careful manner. The adjudication of administrative cases is an important mark of improvement in China's litigation system. It is a great event in the construction of a socialist legal system. It is also an important step in the construction of socialist democracy. Since 1988 when the region began trying administrative cases, the number of administrative cases has increased each year. In 1993, 21 administrative cases were accepted, an increase of almost 100 percent over 1992. A total of 19 cases were tried and settled, accounting for 90.5 percent of all cases handled. Of these, eight involved administrative work related to public security, four involved administrative work related to grasslands, two involved administrative work related to customs, and five were of a different nature. The legal rights and interests of citizens and legal persons were protected through the adjudication of these cases. Adjudication also provided an opportunity to educate people on the importance of observing laws and regulations and conscientiously performing their legal obligations. It not only supervised and corrected the illegal actions of administrative organs but also safeguarded and supported these organs in exercising their administrative power in accordance with the law.

Last year, to sum up experience in trying cases, the adjudication divisions of the Higher People's Court and the Intermediate People's Court of the region, while trying cases in accordance with law, also sent personnel to conduct a special investigation into progress in trying administrative cases, particularly in implementing "Administrative Procedure Law" and "Regulations Concerning the Reconsideration of Administrative Decisions" since the region began trying administrative cases. The investigation found out that since 1987, 65 administrative cases of various natures had been tried and settled in the region, and that in more than 50 percent of those cases, the original decisions of administrative organs were rescinded. This shows that some problems, which should not be neglected, did exist in administrative organs of the region during the course of enforcing the law. First, phenomena such as not observing or strictly enforcing the law, overwhelming

people with one's power, and meting out punishment outside one's lines of authority did occur frequently. Second, some administrative organs did not follow legal procedures in exercising their power to punish people. Third, the practice of abusing power was quite common. In view of these problems, we made judicial suggestions to relevant departments. It is expected that these departments will pay great attention to the problems.

The region is now gradually carrying out work to try administrative cases. But because this "people-versus-government" litigation system was established not long ago, adjudication organs have not been fully developed, and some citizens and administrative organs do not fully understand the importance of administrative proceedings, a common phenomenon exists in all localities; that is, citizens and legal persons are afraid to sue administrative organs and administrative organs do not like the idea of being sued. Owing to the poor environment for enforcing the law, some courts are afraid to deal with such cases. Therefore, it remains a very important task for the region to further study, publicize, and enforce the "Administrative Procedure Law" in the future. **III. Reform and Construction of Courts**

Self-reform and self-construction of courts are an important guarantee for successful adjudication. They also constitute an important part of China's drive to build a socialist legal system. In keeping with the evolving situation, people's courts at all levels in the region last year did a large amount of work in strengthening the self-reform and self-construction of courts.

(1) We continued to emancipate our minds and developed a completely new law enforcement concept. Establishing a socialist market economic system is the objective which the 14th CPC National Congress set for reforming China's economic system. To keep pace with this development, outmoded concepts formed under the previous planned economic system must be eliminated from our judicial proceedings and be replaced with a brand new law enforcement concept compatible with the development of socialist market economic system. To this end, people's courts at all levels in Tibet earnestly studied and implemented the guidelines laid down by the 14th CPC National Congress and the Fifth Enlarged Plenary Session of the Fourth Autonomous Regional CPC Committee and, in light of the actual situation of courts in Tibet, made great efforts to emancipate their minds and change their mindsets. This prompted the vast number of court police to emancipate their minds and change their law enforcement concepts even further. First of all, we became more aware of the central task and established the law enforcement concept that serves the interests of the whole. We upheld the guiding thought that economic construction is now the central task and made conscious efforts in incorporating all judicial tasks in the overall program of reform, opening up and economic construction, making sure they serve and are subject to the central task of economic construction. Through enforcing laws, we also brought our functions

into full play in safeguarding and serving reform, opening up and economic construction. Second, we became more aware of the need of reform and established the concept of organically integrating law enforcement and execution of policies. While deepening reform and opening up wider to the outside world, new situations and new issues kept appearing and problems arising from the incompatibility of outdated laws and new policies became quite conspicuous. Because of this, people's courts at all levels, while strictly enforcing laws, also attached importance to policies' guiding role and did a good job of organically integrating law enforcement with execution of policies. Third, we became more service-conscious and established the concept of taking the initiative to serve. To serve economic construction, people's courts do so primarily through handling cases. Thus, people courts, believing that the best service is to handle cases efficiently and promptly, made efforts to conclude more cases and improve the quality of case handling. On the other hand, people's courts, instead of simply handling cases, paid attention to broadening their services and channels while handling cases, thus extending services before and after judicial steps had been taken and expanding the political, economic, and social effects of their services. Fourth, people's courts became more conscious about market economy and established the concept that crime and social problems must be addressed at the same time. Thus, while exercising stronger functions of a people's dictatorship, making unremitting efforts in launching antisplittist struggle, and cracking down on all forms of crime, we intensified judicial procedures in handling economic, civil, and administrative cases. By doing so we demonstrated our mediating, protective, and supervisory functions, and ensured and promoted economic development through timely actions to mediate disputes in economic and social affairs. Fifth, we became more conscious about democracy and law and established the law enforcement concept of merging special operations with the mass line. While exercising judicial authority, people's courts at various levels paid greater attention to following the mass line and to providing roving services so that cases were handled locally. We made it a regular practice to go deep into rural areas to conduct meticulous investigation and mobilize the masses. The masses applauded our readiness to count on their assistance in completing judicial proceedings and to subject ourselves to their supervision.

(2) We reformed the judicial procedures and improved our operating system. Proceeding from the actual state in various localities and setting their sights on tightening law enforcement, people's courts in Tibet, working practically with emancipated minds, actively but cautiously reformed certain judicial procedures and operating rules which prevented them from giving full rein to their functions. First of all, we carried forward the system under which the burden of proof falls on litigants involved in economic, civil, and administrative lawsuits. To protect litigants' rights and improve efficiency, we



also underscored investigation, debates, and cross examination during court hearings. Second, while handling criminal cases, we underscored the need for witnesses to testify at the court and be cross-examined, and more second-instance trials were held. To explore new ways to improve judicial procedures for criminal cases, certain courts also took the initiative to consult with procuratorial organs and experimented with placing the burden of proof on public prosecutors. Third, "samples of documents for litigation at courts" were used on an experimental basis at higher and intermediate courts and at grass-roots courts whenever possible, and the use of these documents was placed under strict control in judicial procedures. Fairly good results were achieved in these areas. Fourth, to rationalize information dissemination, the procedures of investigating and researching information were reformed and improved. The information journals which many courts published to expeditiously report the new situations and problems they had encountered during the judicial process were helpful for higher people's courts, party committees, people's congresses, and governments to guide court operations. Fifth, to heighten judicial personnel's sense of responsibility in performing their duties, we commonly set up responsibilities for work posts and experimented with the system of investigating the responsibilities of persons concerned in the event of a mistrial.

(3) We built contingents of stronger and more proficient judicial personnel. In 1993, people's courts in Tibet, in keeping with the need to build "politically firm, proficient, diligent, tough, and ethical" police forces, accomplished the following tasks: First, we organized the police to study the guidelines laid down by the 14th CPC National Congress, the Third Plenary Session of the 14th CPC Central Committee, and the Fourth and Fifth (Enlarged) Plenary Sessions of the Fourth Tibet Autonomous Regional CPC Committee, as well as Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics; and also to extensively discuss these guidelines and the theory in light of what they thought and did. This helped them emancipate their minds, change their mindsets, eliminate their outmoded way of thinking and concepts which were incompatible with the new situation, correct their work methods, and become more aware of the need to act more firmly in following through with the party's basic line. Second, we intensified ethical education and took more effective preventive measures. Acting on the instructions made by central and regional authorities on launching an anticorruption struggle, last year people's courts in Tibet launched a thoroughgoing inspection aimed at stopping unethical conduct and cases of lawlessness and lack of discipline. The struggle educated the vast number of police officers on the importance of wholehearted service for the people, patriotism, professional ethics, plain living, and selfless dedication; it also increased the ability of the vast number of police officers to resist corruption and prevent degeneration. Following the guidelines laid down by central and regional authorities,

county-level and higher ranking leading cadres proceeded to examine themselves and correct their own mistakes in light of the "five regulations" about ethical conduct and self-discipline. We also improved the system of improving ethics. In addition to the 11-point measures which the regional higher people's court drew up to promote ethical conduct and self-discipline, various localities, in light of their actual situations, also came up with measures for promoting ethical conduct and self-discipline. On this basis, we acted firmly to investigate and handle cases of lawlessness and lack of discipline, removed or transferred 36 police officers not suitable for work in courts, and punished six police officers for having violated law and discipline. Third, we built stronger leading groups. Under the leadership and supervision of party committees and people's congresses, courts at three levels completed electing new leading groups to replace the old ones. Fourth, we intensified the training of cadres by means of the "double-track system," which combined formal education and short-term training, and trained over 50 college and technical secondary school graduates in such a manner. Various localities also sponsored 11 short-term training classes of various descriptions, and sent 19 cadres to party schools and the Supreme People's Court for training, thereby improving the academic level, professionalism, and law enforcement capabilities of court workers in Tibet. During the fight against splittism and corruption and judicial proceedings, the vast number of police officers acted firmly, unequivocally, ethically, and impartially in enforcing the law. Despite hardships, fund shortages, and poor living conditions, they worked over time, immersed themselves in hard work, and achieved remarkable success in accomplishing all judicial missions. Many advanced collectives and individuals having distinguished themselves for honesty and selfless dedication came to the fore. The regional higher people's court commended 16 units and 26 individuals who had been appraised as advanced collectives and individuals in Tibet.

(4) We intensified material construction and improved the working conditions. Because of the care and support from party committees, people's congresses, and governments at various levels, gradual improvements were made in court workers' working and living conditions, and means of transportation, as well as in court construction; and the improvements facilitated law enforcement and the accomplishment of other projects.

Deputies, last year was a year in which people's courts in Tibet intensified their judicial administration, actively participated in society's comprehensive management of public security, achieved new successes in their work, and contributed quite significantly to safeguarding Tibet's stability and promoting its economic development. But our operations still have many defects. First, the incompatibility between judicial workers and judicial assignments remains quite conspicuous. Second, the police forces still have to improve their law enforcement capabilities and professional competence. Third, under

the new situation of building a socialist market economy, our sense of innovation is not strong enough, the channels of our services are not broad enough, and the methods to improve our services remain quite limited. Fourth, our investigation and research of new situations and new issues are not thorough enough, and the guidance we have provided for various tasks is not timely enough. While we have taken the necessary measures to deal with these problems gradually, we also hope party committees, people's congresses, and governments at all levels will continue to care for and lend support to court operations. **IV. The Major Tasks of the Courts in the Region in 1994**

The year 1994 is one in which China combines package reform with breakthroughs in key areas of its economic restructuring. Working under the general principle of "seizing opportunity, deepening reform, opening up wider, promoting development and maintaining stability," both the central government and the autonomous regional government have promulgated a series of new economic policies and reform measures. Some new laws and regulations will successively be promulgated and put in force. The pace of reform is clearly becoming faster. Under the new situation, the people's courts are facing heavier tasks and responsibility and playing an even more prominent role. The party and the people have set new and higher requirements for the work of the people's courts. To sum up, they want the courts to establish a good reputation in combating crimes, achieve success in handling major cases, make ample progress in readjusting the economic relations, and improve the judicial work in an all-around way. To meet these requirements, the major tasks of the courts in the region in 1994 are as follows: We should work under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics, seriously implement the guidelines of the Third Plenary Session of the 14th CPC Central Committee and the Fifth (Enlarged) Plenary Session of the Fourth Tibet Autonomous Regional CPC Committee, and adhere to the principle of "building both material and spiritual civilizations and attaching equal importance to both." We should work according to the arrangements made by the national conference of higher court presidents and the regional judicial and public security work meeting; put emphasis on stabilizing political situation and promoting economic development; persistently wage an anti-splittist struggle; continue to combat crimes fiercely; take a further step to adjudicate major cases, particularly major cases of economic crimes, and continue to deepen the anti-corruption struggle. We should make great efforts to readjust economic relations and seriously protect the legitimate rights and interests of citizens, legal persons, and other organizations. We should enforce the law strictly, improve judicial work in an all-around way, and provide effective legal protection and service to the establishment of the socialist market economic structure. In order to accomplish these tasks, we, on the basis of our 1993 experience in the work of the courts, urge the people's courts at various levels to continue to adhere to the

guiding principle for the work of the people's courts in the new period, and to do all work well in 1994 by taking the party leadership as the key, the market economy as the objective, reform and opening up as the motive force, economic development as the central task, stability as the prerequisite, adjudication as the priority, strict law-enforcement as the focus, and the training of judicial workers as a guarantee.

Deputies: I believe that the cadres and policemen of the courts in the region, working under the leadership of the party committees at various levels and under the supervision of people's congresses and their standing committees, and with the vigorous support from the people of all nationalities in the region, will surely work hard in unity and be able to accomplish arduous adjudication tasks. Let us work under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics, unite even more closely around the party Central Committee with Comrade Jiang Zemin at the core, seriously implement the guidelines of the Third Plenary Session of the 14th CPC Central Committee and the Fifth (Enlarged) Plenary Session of the Fourth Tibet Autonomous Regional CPC Committee, pool the wisdom and efforts of all, perform actual deeds, and make new contributions to maintaining stability and promoting economic development in the region.

#### **Tibetan Leaders View Reform, Stability**

OW1107144294 Beijing Central Television  
Program One Network in Mandarin 1100 GMT 11  
Jul 94

[Video reports by correspondents Nian Xin (1628 2500) and Wang Guozhu (3769 0948 2691); from the "National News Hookup" program]

[Text] During recent interviews with reporters, Chen Kuiyuan, secretary of the Tibet Autonomous Regional Party Committee, Gyaincan Norbu, chairman of the Tibet Autonomous Regional People's Government, and Raidi, chairman of the Tibet Autonomous Regional People's Congress, expressed their views on Tibet's development and stability.

[Begin Chen Kuiyuan recording] [Video shows Chen in interview with a reporter] Reform is a driving force for developed areas to further promote development and, furthermore, it is a powerful driving force for relatively economically backward areas to promote rapid development and catch up with developed areas. Therefore, we must seize the opportunity provided by reform and, through deepening reform, further invigorate Tibet's economy and further improve our people's living standards. First of all, like every other area across the country, we must bring about a change in the economic structure of Tibet's national economy. [Video shows Chen talking to Tibetan peasants and herdsmen on farmland] Meanwhile, in the course of reform, we also want to further standardize some special policies adopted by the central authorities to support the Tibet

Autonomous Region and to more effectively make use of the support and assistance offered by the central authorities and fraternal provinces and regions under the conditions of reform. [Video shows Chen inspecting a carpet factory] Of course, to develop the economy and improve the people's living standards, we need a stable social and economic environment. [Video shows Chen speaking into a microphone during an interview] Tibet's social environment as a whole has been made stable through the efforts of party [committees], governments, and judicial, procuratorial, and public security departments at all levels, and with the support of all the people.

During his inspection of the Lhasa carpet plant, Deputy Secretary Gyaincain Norbu spoke to a reporter.

[Begin Gyaincain Norbu recording] It is necessary for us to take some improvement measures to develop Tibetan national industry. In this way, we can strengthen our ability to compete in the market. A modern mass production system prevails in the current society. During the course of establishing a socialist market economy, it is particularly necessary for us to set up a modern mass production system to meet the needs of a socialist market economy. [end recording]

During a discussion meeting with grass-roots cadres of Lhasa's Changguan District, Raidi, executive deputy secretary of the autonomous region, said: Grass-roots cadres, who have to work on a long-term basis in the front line, shoulder a heavy burden. They always work hard. In past years, the broad masses of grass-roots cadres have stood firm in a sharp and complicated struggle against separatism. They have taken a clear-cut stand and carried out a resolute struggle against various separatist activities. They have tried to unite, educate, and guide the people. They have always been on the side of the party and the people. They have unswervingly safeguarded the unification of the motherland, strengthened national unity, and maintained political stability and unity in the region. This is a report from the Tibet Television Station.

### Commentary Series Marks CPC Anniversary in Tibet

#### Part 1

OW 1207010894 Lhasa Tibet People's Radio  
Network in Mandarin 1400 GMT 29 Jun 94

[Five-part news commentary by Zhang Yinghua under the general title "The Communist Party in Tibet—in Commemoration of the 73rd Founding Anniversary of the CPC": "Peaceful Liberation"]

[Text] The 73rd founding anniversary of the great, glorious, and correct CPC falls on 1 July this year. At this time, the sons and daughters of the Xizang Plateau are greatly excited. The magnificent contributions made by the party present themselves before us just as a film is shown one scene after another. It is the party that saved the Chinese nation and that rescued the suffering, poor

people of various nationalities across the country from a hell on earth. The glory of the party shines on each chapter of modern Tibetan history. It is impossible for the sons and daughters of Tibet to ever forget the earthshaking days and nights 43 years ago.

On 1 October 1949, Chairman Mao Zedong raised the first five-star red flag, solemnly declaring to the world that the Chinese people had stood up. Shortly thereafter, Mao Zedong, chairman of the Central People's Government, issued an order to liberate Tibet peacefully. On 19 October 1950, the 18th Corps of the mighty Chinese People's Liberation Army, an army dedicated to a just cause, liberated Qamdo, a place of strategic importance in central Tibet. The then-Tibetan local government, which had originally attempted to put up stubborn resistance to the end, had to make a historical choice in the face of history and reality. The plenipotentiary of the Central People's Government and the plenipotentiary of the Tibetan local government signed the famous agreement on the peaceful liberation of Tibet in Beijing on 23 May 1951.

Tibet was thus reborn, and so were the people of various nationalities in Tibet. Tibet returned to the embrace of the socialist motherland. Then the CPC, the coming of which the people of various nationalities in Tibet had long looked forward to, finally came to the plateau. The CPC has since wiped out in one stroke the existence of domestic and international reactionary forces in Tibet. Since then, the sky over Tibet has become brighter and brighter, and its land has been full of life. Since then, the CPC has led the people of various nationalities across the region in sowing the seeds of happiness, plowing the land of happiness, and reaping the fruits of happiness.

#### Part 2

OW 1207013794 Lhasa Tibet People's Radio  
Network in Mandarin 1400 GMT 30 Jun 94

["Be the Master of One's Own Country"]

[Text] The agreement on measures for the peaceful liberation of Tibet was signed in Beijing on 23 May 1951, marking Tibet's peaceful liberation and its return to the socialist motherland's embrace. Tibet's democratic reform was successfully completed on 1 September 1965, resulting in the founding of the Tibet Autonomous Region, and truly shifting Tibet onto the broad road of socialism. This marked the political liberation of enslaved, oppressed, and exploited people of all nationalities in Tibet, who became masters of their own country. Thanks to the spectacular democratic reform, the yokes around the people's necks were shattered, slave indentures which had lasted for generations were burned, loan-sharking accounts which could never be settled were turned into ashes, and pride and elation filled the air as people divided farmland, cattle, and sheep. These achievements were scored step by step by people of all nationalities in Tibet under the party's leadership.



The people of Tibet, who had become the masters of their own country, led an increasingly better life as they tilled their own land, grazed their cattle and sheep on their own pastures, and reaped the fruits of their own labor. After becoming the masters of their own country, the people of Tibet went to schools, factories, cities, and government departments, becoming workers, teachers, physicians, People's Liberation Army members, and state cadres. Statistics show that the urban population has risen sharply in the 43 years since Tibet's peaceful liberation. Tibetans and other minority groups account for more than 80 percent of the increased urban population. Thanks to the party's training and education over the past 43 years, Tibetan and other minority cadres now account for nearly 70 percent of the current 60,000-strong contingent of various cadres at all levels. Minority scientific and technical cadres account for 70 percent of the current 28,000-strong force of professional and technical cadres. Minority deputies represented more than 80 percent of the deputies elected to previous terms of people's congresses at all levels in Tibet. Most of the top government leaders at all levels in Tibet are minority cadres. These facts have engendered this great truth: Had it not been the CPC, the new socialist Tibet would not have come into being, and people of all nationalities in Tibet would not have been liberated to become the masters of their own society, of their own destiny, and of national prosperity.

More than 2 million people of all nationalities in Tibet, while displaying great enthusiasm and serving as the masters of their own country, are now working devotedly in unity under the CPC's leadership to build a new socialist Tibet which is united, prosperous, and culturally advanced.

### Part 3

OW1207015194 Lhasa Tibet People's Radio  
Network in Mandarin 1400 GMT 1 Jul 94

["Earth-Shaking Changes"]

[Text] The Tibetan people will not forget, nor will history, what Tibet was like around the time of peaceful liberation. In Tibet then, there was no enterprise nor any highway in the modern sense; farming was very backward, with slash-and-burn cultivation still practiced in some localities. There was not even a single up-to-standard artificial irrigation ditch, and the average per-mu grain yield was only several dozen jin. The herdsmen led a nomadic life and moved from place to place in search of water and pasture. More than 90 percent of the population were either illiterate or semiliterate, and the average life span was 36 years. In short, productivity was very low and the economy was very backward.

Since the Communist Party liberated Tibet peacefully and founded the Tibet Autonomous Region, it has led the people of all nationalities in Tibet in building and developing the region for several decades. With the assistance given by the people across China, Tibet has

brought about earth-shaking changes. In the vast countryside, the state has invested a large amount of funds in building some 20,000 water conservancy facilities and improving the conditions of agricultural production. Under the painstaking instruction by one generation of agronomists after another, the level of cultivation has been raised and the per-mu grain yield increased four- or five-fold. Tibet has put an end to its long history of critical grain shortage. More than 80 percent of peasants live in new houses, and some of them own expensive furniture and electric appliances.

In the vast prairie area, the state has done all it can to help the herdsmen improve the conditions of animal husbandry. A network for animal disease prevention and control has been set up. Tremendous achievements have been made in the construction of pastures, natural-disaster-resistance bases [kang zai ji di], and livestock product bases. Today, the herdsmen are rearing more and more livestock and selling more and more animal husbandry products year by year. More and more herdsmen have settled down in recent years. Tibet's gross agricultural and animal husbandry output value was 2.32 billion yuan and the per capita income among its peasants and herdsmen was 512 yuan in 1993.

Modern enterprises in Tibet were built and developed from scratch. At present, there are nearly 3,000 enterprises of more than 20 categories, including electric power, machine-building, building materials, construction engineering, forestry, textiles, and mining industries, as well as transport, posts and telecommunications, and domestic and foreign trade. The region's total industrial output value in 1993 was 535 million yuan.

More than 22,000 km of highways crisscross the Tibet plateau, and more than 20,000 motor vehicles, carrying wealth and hope, are running on those highways. The Gongga Airport is always a busy place. Rapid development has been made in Tibet's urban construction, with the size of urban areas expanding constantly, their appearance becoming better and better, and more tall buildings being put up. Take Lhasa for instance; its urban area now has reached 49.62 square km, or more than 12 times that before the democratic reform.

In Tibet today, some 220,000 students are attending more than 3,100 schools of various levels and categories. More than 11,000 students of various nationalities from Tibet are attending schools in China's interior and coastal regions. In Tibet, 63.2 percent of school-age children are attending schools, and the educational level of working people has been raised sharply. A medical care system has been established in the region. With the development of production, the improvement of the people's living standards, and the establishment of the effective medical care service, the average life span in Tibet has increased from 36 years in the early stage of liberation to 64 years now.

Although Tibet is still poor and backward, we must not deny a basic fact—in as short as 40 years the Communist

Party has brought about earth-shaking changes and all-around social progress in Tibet, and the great achievements made in Tibet's economy are universally acknowledged.

#### Part 4

*OW1207020094 Lhasa Tibet People's Radio  
Network in Mandarin 1400 GMT 2 Jul 94*

["Reform and Opening Up to the Outside World"]

[Text] The party Central Committee held the second work forum on Tibet 10 years ago during the spring of 1984. The meeting pointed out the need to further ease policy and improve the economy to lift the Tibetan people's living standards. After that, the region introduced a series of special policies including the household contract responsibility system with remuneration linked to output and the dual management system combining unified and independent operations which were to remain in force for a long time. The party's prosper-the-people policy produced a magnificent power to greatly emancipate productive forces, greatly mobilize the enthusiasm of the vast masses of the peasants to work hard for prosperity, and greatly promote comprehensive social and economic development in crop-farming and pastoral areas. The region reaped six consecutive bumper agricultural harvests over the past decade of reform in crop-farming and pastoral areas, with last year's total grain output topping 620,000 metric tons, total output of crop-farming and animal husbandry reaching 2.32 billion yuan, and per capita income of peasants and herdsman touching 512 yuan.

At the same time, a variety of measures were introduced for comprehensive reform, labor wage reform, commercial and foreign trade system reform, and others. In the fall of 1984, the regional people's government issued a notice announcing Tibet's implementation of the policy of opening up to the outside world. In a completely new posture, the western highlands joined the ranks of the national cantata of reform and opening up to the outside world. As one wave towered above another amid the nationwide tide of reform after the guidelines in Comrade Deng Xiaoping's speeches during his inspection of south China were published in early 1992, we Tibetans also could not help but get excited and smashed with our own hands the theory about our uniqueness and old conventions and intensified reform to strive for synchronized development with the national economy and for building Tibet's socialist market economic system.

In July 1992, the region introduced a series of policies and measures to deepen reform, open up wider to the outside world, encourage investment in Tibet from within China and abroad, accelerate development of the tertiary industry and village and town enterprises, and others. In August 1992 the region announced 19 projects with a total investment value of over 400 million yuan for the purpose of drawing businesses and investment. The region's 10 frontier counties and ports set up border

trade zones and externally oriented economic development zones. In the summer of the same year, an unprecedented market tide swept across the Tibetan highlands. From Lhasa to outlying counties and cities, enclosures were torn down one after another to make way for business streets that helped cities and towns become even more lively. Market cultivation work proceeded in an orderly manner as well.

A decade of reform and opening up to the outside world brought great changes to the region. The masses of the people reaped the most material benefits during these 10 years, as more than 8 million people in the region have seen great improvements in their food, clothing, housing, and transportation, as well as the lifting of living standards to a much higher level. A decade of reform and opening up to the outside world brought the region all-round social and economic development and progress, with the economic growth rate rising to new levels year after year. Just take the region's total annual output value of goods and services as an example: It topped 3.65 billion yuan in 1993, up 8.1 percent from 1992. A decade of reform and opening up to the outside world not only brought the region considerable social and economic development, but, more importantly, also emancipated the people's mind, renewed their mentality, and enhanced the regional people's confidence in putting an end to poverty and marching toward prosperity. The second session of the sixth regional people's congress convened last May clearly proposed that the regional reform should conform to the framework and dovetail with the structure of the national reform and should incorporate determined actions, flexible policies, and safe measures. This showed that the region's reform, opening up to the outside world, and economic construction have entered a stage of tackling difficult points. We believe that after scoring great successes in reform and opening up to the outside world, the region certainly will make even greater achievements in future reform, opening up to the outside world, and economic construction.

#### Part 5

*OW1207023294 Lhasa Tibet People's Radio  
Network in Mandarin 1400 GMT 3 Jul 94*

["A Beautiful Future"]

[Text] Our people in Tibet have not been intoxicated by the universally acknowledged great changes taking place in the region. In the face of a beautiful future, we Tibetans are full of confidence and shoulder heavy responsibilities.

Though surprising changes have taken place and a sure foundation has been laid in Tibet, it still lags far behind other provinces and regions and, in particular, relatively developed areas in China when compared with them. Instead of being narrowed, the gap tends to be widened. The central government and all other areas in China increased, instead of reducing, their input into Tibet year

by year. Tibet still has a considerably long way to go if it wants to achieve development by relying on the huge amount of input. The crux of the matter lies in whether we can more successfully fulfill our own tasks to speed up the pace of development in the face of history and realities. So long as we reduce blindness in carrying out our work; correctly handle the relationship between reform, development, and stability; and persist in reform, opening up, and economic development, we shall be able to bring about more rapid development in Tibet.

An important issue confronting us now is how to properly solve the problem of the relationship between stability, reform, and development. Only when there is social stability can we achieve development. This is the most basic principle. The problem of splittism has always been an archenemy to stability in our Tibet. The struggle between splittism and antisplittism has been going on all the time. One splittist activity after another ended in defeat. Those who advocated splittism were duly punished. Nevertheless, the antisplittism struggle will have to be waged for a protracted period of time to come because splittists will not resign themselves to defeat. Sooner or later, in one disguised form or another, they are bound to show up to disrupt stability and the glorious cause we are undertaking now.

The thinking that stability will naturally follow in the wake of economic development is harmful. It is too naive. Reform is the driving force as it will promote development. Today, at a time when we are endeavoring to establish a socialist market economic system, we cannot break free from an outmoded system and establish a new one if we do not carry out reform. Though we have already benefited from reform, there are still outmoded things that obstruct our development and it is still necessary for us to break free from things which are incompatible with our development. Therefore, it is necessary to carry out reform. Reform means continuously improving ourselves. Development is the last word. This is the basic idea that promotes social progress. We believe that, with the accumulative experiences and lessons acquired from years of reform, opening up, and economic construction, with the ardent desire of over 2 million people of various nationalities in Tibet for changing backwardness and achieving prosperity and with their actions, with the vigorous support of the state and all other areas in China, and with the guarantee provided by the party's strong leadership, Tibet will surely enjoy more rapid and successful development in the future. A beautiful future belongs to the Tibetan people of various nationalities who are industrious and courageous.

### Northwest Region

#### ICB's Gansu Branch Offers Loans To Ease Strains

HK1107064094 Lanzhou Gansu People's Radio Network in Mandarin 2300 GMT 10 Jul 94

[Text] The Gansu Provincial Branch of the Industrial and Commercial Bank [ICB] issued some 570 million

yuan in loans of various types over the first five months of this year, an increase of over 300 million yuan as compared with the same period last year. These loans eased the shortage of funds among industrial enterprises. In the first months of this year, in accordance with the relevant instructions of the State Council and the People's Bank of China, the leaders of the ICB's provincial branch carried out investigations in various enterprises to learn how credit funds were being used. Problems were solved on the spot.

Up to 20 May, 545 million yuan of loans used as working funds were issued to industrial enterprises and were used mainly to support the operation of large and medium sized state-owned enterprises, the production of chemical fertilizer and pesticides, and the supply of energy and raw materials. In the same period, 37.15 million yuan of loans used for fixed-asset investment were issued. These were used to finance a number of key construction projects. While effective input was increased, the ICB's provincial branch also actively helped enterprises to repay loans that were in arrears, thus enlivening the circulation of working funds and effectively supporting the healthy development of the economy in this province.

#### Farmers' Markets Help Boost Economy in Ningxia

OW1007125894 Beijing XINHUA in English 0629 GMT 10 Jul 94

[Text] Yinchuan, July 10 (XINHUA)—Northwest China's Ningxia Hui Autonomous Region, the country's major Muslim center, is trying hard to set up more farmers' markets to boost local economy.

The efforts have begun to pay off.

Information from the regional bureau of commerce and industry indicates that by the end of last year, Ningxia had 270 farmers' markets, and the total business volume of these markets reached 1.48 billion yuan (about 172 million U.S. dollars). Both figures showed sharp increases compared with those in 1978, a year before the country adopted reform measures and the opening policy.

The annual growth rate of the farmers' markets and the market transactions are both higher than the corresponding average figures of the country, according to local officials.

In recent years, the Ningxia Government has proceeded from local conditions and has raised funds totaling 210 million yuan to construct more than 160 specialized and all-purpose markets.

Last year, the retail sales in markets of various kinds accounted for 28.6 percent of the region's entire total retail sales of commodities.

Local officials said that farmers' markets now provide over 95 percent of vegetables, fruit, meat, eggs and



poultry urban dwellers consume. The commodity ratio of farm produce surpasses 50 percent.

About 254 state-owned and collectively-owned enterprises of the region have also begun to arrange their production according to demands of markets.

More than 30 markets in Yinchuan, the regional capital, have not only become centers for trade, but are also connected closely with the neighboring provinces of Inner Mongolia, Gansu and Shaanxi.

Businessmen from 20 provinces, municipalities and autonomous regions throughout the country are doing brisk business at the farmers' market in Wuzhong City. In 1993, business volume of the farmers' market, now with 1,550 registered private traders, amounted to 145 million yuan.

The fast development of markets has given impetus to the development of the service trade and helped more people living in poverty-stricken areas to prosper.

According to local officials, by the end of 1993, more than 400,000 local farmers were doing business in farmers' markets, and the number of private traders of the region amounted to 64,200.

Last year, local farmers made 21 percent of their net income from market circulation, according to officials.

The vigorous development of farmers' markets in Tongxin County, one of the poorest areas in China, helped raise the per capita income of local farmers from 37 yuan in 1982 to 350 yuan in 1993.

The market construction has created more taxes for the local economy. Last year, the regional departments of taxation collected 54.629 million yuan from farmers' markets, up 47.6 percent over the previous year.

### **Xinjiang Boosts Education for Ethnic Minorities**

*OW1007135394 Beijing XINHUA in English 1254  
GMT 10 Jul 94*

[Text] Urumqi, July 10 (XINHUA)—The Xinjiang Uygur Autonomous Region is concentrating on the development of education among its ethnic-minority people.

This northwest China region has 46 ethnic groups, of which the Uygur, Kazak and four other ethnic minority peoples still use their own languages, which are taught in 71.8 percent of the region's 7,088 primary schools and 51.38 percent of the 1,851 middle schools.

Until 1949, when New China was founded, less than 20 percent of school-age ethnic-minority children were in school and the majority of people were illiterate.

The past four decades have seen the central and local governments build boarding schools in remote and poor areas to offer free education, set up special classes in higher-learning institutions and training courses for ethnic-minority people, and issue subsidies to help the publication of teaching books and materials in ethnic-minority languages.

As a result, more than 53,000 ethnic-minority people are studying in Xinjiang's university, college and technical schools, accounting for 51.7 percent of total number of students in school.

The region has trained 132,000 college and technical school graduates from ethnic minorities over the past decade and more.

At present, more than 90 percent of school-age children are in school and 85 percent of the ethnic-minority people have received educations.

### **XINHUA Cites Criticism of Mainland Affairs Meeting**

*OW0907094794 Beijing XINHUA Domestic Service in Chinese 1012 GMT 8 Jul 94*

[Text] Beijing, 8 Jul (XINHUA)—The Taiwan authorities held their 1994 mainland affairs conference and made public their "Explanation on Cross-Strait Relations." Although the meeting claimed it would "examine mainland affairs and chart the course of cultivating mutual trust across the strait," it "did not achieve any breakthroughs." Taiwan media has criticized the meeting's conservatism and its mainland policy.

The Taiwan authorities have scheduled the meeting once every two years, and the first meeting took place in September 1992. Attending the meeting this time were more than 350 people, including the heads and other officials concerned of ministries and committees of Taiwan's "Executive Yuan," persons in charge of the Strait Exchange Foundation, and four "Mainland Affairs Committee consultative members" of the Democratic Progressive Party, who attended the meeting for the first time. The meeting's three groups—legal and political, economic, and cultural and educational—discussed a total of 16 topics.

Taiwan newspapers reported that leaders of the Taiwan authorities claimed in their speeches at the two-day meeting that they have "time and again stated that they neither support 'Taiwan independence,' nor 'one China and one Taiwan,' 'two Chinas,' or similar views," but they proclaimed that "in the quest for national reunification, the two sides' objective should not be a narrow-minded one of achieving territorial reunification or a formalistic reunification of ruling power"; and that, "with regard to cross-strait relations, (the Taiwan authorities) stand for 'one country, two regions, and two equal political entities.'"

The proposals put forward by the three groups include: permitting civil servants of grade nine and below—with the exception of diplomatic personnel stationed overseas, military personnel, policemen, and intelligence personnel—to visit the mainland for family reunions or funerals; permitting mainlanders to visit Taiwan for family reunions and funerals two times a year, instead of one time a year as is the case today; simplifying the procedures of applying for "approval for investing in and transferring technology to the mainland"; permitting the entry of 632 kinds of semifinished goods from the mainland; compiling and publishing a science and technology dictionary of mainland and Taiwan industries; giving Taiwan businessmen greater support and establishing channels and rules for handling mainland-Taiwan economic and trade disputes; and intensifying mainland-Taiwan exchanges of information, cultural and educational personnel, scholars, scientists, technicians, and athletes.

With regard to direct cross-strait shipping services—an issue receiving the greatest outside attention—the

meeting put forward "10 major strategies" underscoring Taiwan's "security" and "status of a political entity." It also scheduled the time for inaugurating direct shipping services at the "intermediate stage in the Outline for National Reunification," but "the time of entering this "intermediate stage" should be preceded by the need to "clearly define major conditions for the entry."

Commenting on the meeting, Taiwan newspapers say that although the mainland affairs meeting—which received great attention from people of all walks of life in Taiwan—talked a lot about "permitting," the many proposals put forward under the restrictions in the "immediate stage prescribed in the Outline for National Reunification" are trivial matters and are nothing new. They say the meeting was nothing more than a new bottle with old wine, or a meeting held in a different location and with new attendees.

Many media expressed disappointment and dissatisfaction over the Taiwan authorities' cross-strait policy and what they have done in handling cross-strait relations. In an editorial, LIAN HE BAO [LIEN HO PAO] says that the meeting "neither discussed policies nor changed work methods," adding that information about the meeting shows that Taiwan authorities' activities concerning the mainland are sluggish, contradictory, erratic, and lacking foresight. "Instead of proceeding gradually, they have stayed put, or have even regressed." ZHONGGUO SHI BAO [CHUNG KUO SHIH PAO] says in its editorial that although the authorities have verbally proclaimed that they are following a general course of achieving China's reunification, they "have never been able to produce a comprehensive plan" for achieving reunification. It adds that the authorities' mainland policy is "too conservative." The editorial proposes that during their second meeting, Wang Daohan and Gu Zhenfu [Ku Chen-fu] should discuss political issues and "start to untie the political Gordian knot of the two sides."

### **Lu Rongjing Stresses Economic Work With Anhui**

*OW1207055394 Hefei ANHUI RIBAO in Chinese 30 Jun 94 p 1*

[Report by ANHUI RIBAO reporter Guan Xuefu (4619 1331 1381): "The Provincial Government Holds Province-Wide Conference on Economic Work Toward Taiwan To Bring Into Play Anhui's Favorable Position in Promoting Economic Cooperation With Taiwan"]

[Text] The provincial government held a province-wide conference on economic work toward Taiwan in Hefei from 27 to 28 June. The conference relayed the guidelines of the State Council conference on economic work toward Taiwan and reviewed and arranged Anhui's work in this regard. Lu Rongjing, Fu Xishou, Yang Yongliang, Wu Changqi, Yang Duoliang, and Li Mingjun attended the conference.

Governor Fu Xishou gave a report at the morning session on 27 June. He said: Under the guidance of the

central authorities' basic principle of "peaceful reunification and one country, two systems." Anhui has made fairly rapid progress in its economic work toward Taiwan, carrying out activities to attract investment and increase trade in different forms and through different channels.

The province's economic work toward Taiwan has become more active in the last two years. Taiwan's investment projects have increased year after year, the amount of investment has steadily increased, and the investment structure has become more rational. Anhui's trade with Taiwan has also had considerable growth. On ways to further strengthen economic work toward Taiwan, Fu Xishou said: First, we must make our current Taiwan-invested enterprises successful to attract more Taiwan businesses to Anhui. All localities should carry out penetrating investigation and study on the conditions of local Taiwan-invested enterprises. We should listen to the views and suggestions of Taiwan businesses and help them overcome difficulties. We should earnestly concern ourselves with and protect their legitimate rights and interests. All localities should try constantly to improve their investment environment and raise service standards to promote economic cooperation between Anhui and Taiwan.

Lu Rongjing, secretary of the provincial party committee, gave an important speech on the afternoon of 28 June. He said: Further improving our economic work toward Taiwan is of positive and profound significance to developing relations between the two sides of the Taiwan Strait and promoting the great cause of peaceful reunification of the motherland. We must profoundly understand the guidelines of the central instructions and implement them in our concrete action. Today, Anhui's economy is in the phase of rapid and healthy development. Many Taiwan businesses believe Anhui, like a dragon in water, is ready to take off. Accordingly, they have been enthusiastically investing in Anhui, increasing the amount and area of investment. We must seize the opportunity to earnestly implement the principles and policies in economic work toward Taiwan enunciated by

the CPC Central Committee and the State Council and bring into full play Anhui's favorable position to push forward the further development of economic cooperation with Taiwan.

Vice Governor Yang Yongliang relayed the guidelines of the State Council-sponsored conference on economic work toward Taiwan. Participating comrades exchanged their experience in conducting economic work toward Taiwan.

### **Shanghai's Cultural, Scientific Exchanges With Shanghai Up**

*OW1007154894 Beijing XINHUA in English 1430 GMT 10 Jul 94*

[Text] Shanghai, July 10 (XINHUA)—Cultural and scientific exchanges between this, China's largest economic center and Taiwan are increasing this year.

There were 153 two-way exchanges in the first six months of this year, an increase of 20 percent over the same period of last year, a municipal government official in charge of culture said.

The exchanges involved a total of 500 people. The Shanghai delegations included the Shanghai Symphony Orchestra, a gymnastic exhibition team and a local opera troupe.

One example was a visit to Taiwan by the Shanghai Guohua basketball team, which consisted of 17 members, including Liu Qiong and Su Shi as well as other noted film directors, actors and actresses.

Their ages averaged 69.

About 300 people came from Taiwan for 73 programs such as exchanges on broadcasting and television, city development and planning and reforms on funerals.

Experts here predict that the number of two-way exchanges between Shanghai and Taiwan will rise continuously in the second half of this year.



### **Third Round of Tariff Talks With U.S. To Begin 18 Jul**

OW1207080394 Taipei CNA in English 0658 GMT  
12 Jul 94

[By Danielle Yang]

[Text] Taipei, July 12 (CNA)—Negotiators from the United States and Taiwan will meet in Washington, D.C. next week for a third round of tariff talks related to Taiwan's General Agreement on Tariffs and Trade (GATT) membership bid.

Vice Economic Affairs Minister Hsu Ke-sheng will lead the Taiwan delegation to the July 18-22 talks.

This round of GATT negotiations will focus on Taiwan's financial liberalization and the signing of a special exchange agreement, sources said.

Taiwan is required to sign the special exchange agreement because it is not a member of the International Monetary Fund (IMF), they explained.

Both sides will also discuss a U.S. demand that Taiwan ease limits on foreign capital investment in its stock market.

Central Bank of China (CBC) Governor Liang Kuo-shu said the bank will not ease the foreign capital restrictions. He said that the request does not fall under regulations set down by the IMF and he called for in-depth discussion of the demand.

Meanwhile, a GATT working party on Taiwan's membership will hold its sixth meeting in Geneva July 25-27 to facilitate Taiwan's admission to the world trade regulating body.

### **Minister Calls For 'High-Level Official' Contacts With ROK**

OW1207081494 Taipei CNA in English 0737 GMT  
12 Jul 94

[By Sofia Wu]

[Text] Taipei, July 12 (CNA)—The Republic of China [ROC] and South Korea should resume high-level official contacts, Economic Affairs Minister P.K. Chiang said Tuesday [12 July].

Chiang made the call while meeting with Nu Yong-wuk, director of South Korea's Trade Promotion Bureau, who arrived in Taipei Sunday for talks with ROC officials on automobile trade.

"The two countries could first exchange visits of vice ministerial-level officials to promote bilateral ties," Chiang suggested.

Official contacts between Taipei and Seoul were suspended after the two countries severed diplomatic relations in 1992. "Such suspension will hinder bilateral commercial exchanges in the long run," the minister said.

Two-way trade between Taiwan and South Korea totaled U.S.\$3.8 billion last year, with Taiwan suffering a deficit of U.S.\$1.26 billion.

"I hope South Korea can open its market wider to Taiwan products and redress the trade imbalance between the two countries," Chiang said.

Nu said he will convey Chiang's suggestions to the Korean Government. He also assured Chiang that his country will support Taiwan's bid to join the General Agreement on Tariffs and Trade (GATT).

Nu asked Chiang to resume the compact car import quota Taiwan had offered South Korea before the two countries severed diplomatic ties.

Taiwan agreed to import up to 8,788 Korean cars annually when the two countries still maintained formal relations, but the quota was dropped after the break in diplomatic ties.

Chiang said negotiations for the resumption of automobile trade must be conducted under the GATT framework.

During Monday's talks Taiwan and Korean negotiators failed to reach any agreement on future automobile trade.

Lin Yi-fu, deputy director-general of the Board of Foreign Trade and chief Taiwan negotiator, asked Korea to promise to voluntarily restrict its annual car exports to Taiwan until the year 2000. If Korea makes such a promise, Taiwan will reopen its market to Korean cars after it joins GATT. However, the Korean delegation, headed by Nu, did not make such a promise.

Taipei also asked Korea to import Taiwan-made auto parts and components with a value equivalent to its imports of Korean cars.

The two sides resumed talks on auto trade Tuesday afternoon.

Taiwan hopes to become a GATT member before the end of this year.

### **Guatemalan President Concludes Visit, Departs**

OW0907091494 Taipei CNA in English 0707 GMT  
9 Jul 94

[Text] Taipei, July 9 (CNA)—Guatemalan President Ramiro de Leon Carpio left Taiwan Saturday [9 July] morning at the end of his five-day visit.

Prior to his departure, De Leon and President Li Teng-hui signed a joint communique at the presidential office, in which both sides reaffirmed the close ties between the two countries.

De Leon thanked the government and the people of Taiwan for the hospitality extended to him and his entourage during their stay in Taiwan.

He stressed that Guatemala recognized the importance of Taiwan's participation in the international community and promised to support Taiwan's bid to join the United Nations.

He also said that Guatemala and other Central American nations may ask other nations in the Caribbean with which Taiwan has diplomatic ties to call for Taiwan's entry into the world body.

President Li said that Taiwan supports regional integration campaigns in Central America and was willing to provide economic assistance for the campaigns.

De Leon also welcomed Taiwan manufacturers to invest in his country. He expressed the hope that an investment guarantee agreement could be signed soon to help Taiwan businessmen in his country.

De Leon arrived in Taiwan Tuesday. During his stay he visited a number of economic and cultural facilities, in addition to meeting with President Li.

#### **President Li Receives UK Scholars**

*OW1207090094 Taipei CNA in English 0703 GMT 12 Jul 94*

[By Danielle Yang]

[Text] Taipei, July 12 (CNA)—President Li Teng-hui met with International Institute for Strategic Studies (IISS) Director John Chipman and senior researcher on Asian security Gerald Segal at the presidential office Tuesday [12 July].

During the meeting, Li said democratic politics is a modern world trend and more than 30 world nations have given up military autocracy for democracy since 1980.

Li said that culture has played an important role in the development of democratic politics. Despite differences in Eastern and Western cultures, democracy is a common goal for all people, he said.

Economic cooperation will be a leading future trend in international society, Li said. Only through complementary economic relationships can countries of the world gain further benefit, he added.

Speaking on cross-Taiwan strait relations, Li said that national unification is a Chinese ideal, but the current divided status across the strait is the reality. The Republic of China on Taiwan has existed and prospered for the past 40 years, he said.

Only if both sides of the Taiwan Strait treat each other with respect can cross-strait ties continue to develop, he added.

The IISS is a renowned academic institution and government think tank in Britain. It writes research papers and reports which are used in the formulation of government policy.

Li also expressed hope during the meeting that both Britain and Taiwan could strengthen contacts, especially academic, cultural and economic exchanges.

The British scholars arrived in Taipei Monday and will leave Friday.

#### **Foreign Ministry Seeks To 'Downplay' MAC White Paper**

*OW0807141094 Taipei Voice of Free China in English 0200 GMT 8 Jul 94*

[Excerpt] The Ministry of Foreign Affairs Wednesday [6 July] tried to downplay the Mainland Affairs Council's [MAC] white paper on cross-strait relations which officially says that Taiwan will no longer compete with Peking for the right to represent China in the international arena.

Foreign Ministry Spokesman (Rock Long) told a news conference that instead of [words indistinct] the ROC [Republic of China] Government would not challenge Mainland China's present status in the international community. He said the ROC Government had given up its claim that it was the only legitimate government of China when the period of mobilization for the suppression of communist rebellion was terminated in 1991.

(Long) added that it is a fact that the ROC and the PRC has their own jurisdiction over two parts of China and it is (foolly) for the ROC Government to deny the status of Mainland China in the international arena. However, (Long) said this does not mean the ROC Government now considers the People's Republic of China to be a legitimate government and that the ROC has given up the right to represent China. [passage omitted on legislators' opinions]

#### **Editorial Views Mainland Policy White Paper**

*OW1207081194 Taipei LIEN HO PAO in Chinese 6 Jul 94 p 2*

[Text] In recent years, our mainland policy has produced an impression of ambiguity and vacillation. If the mainland policy white paper released by the Mainland Affairs Council yesterday can be deemed a final conclusion of our recent policy toward the mainland, then our mainland policy as a whole seems, after running full circle, to return to the starting point, that is, the idea of unifying China under the Three Principles of the Peoples.

The following reasons can explain such a posture: First, the cross-strait issue has its fundamental objective cause-and-effect relationship that is independent of man's will. Therefore, the possibility of seeking other solutions is limited. Second, after going through severe tests at home and abroad, the mainland policy, with the idea of "unifying China under the Three Principles of the People" as the core, has its *raison d'être*. Even having been discarded for the consideration of practical political realities, this slogan, as we see it now, remains a main ideological vein on which the fundamental thinking and behavior of our mainland policy are based.

The white paper on the mainland policy released by the Mainland Affairs Council points out that the Republic of China [ROC] Government firmly upholds the policy of "one China" and opposes "two Chinas" and "one China and one Taiwan." The white paper also maintains that the situation in which the two sides of the Taiwan Strait are separate and ruled by two governments is intrinsically a competition between a "China carrying out the Three Principles of the People" and a "China carrying out Communism." It also says that to seek "territorial unification" by means of force is a superficial and narrow-minded thinking distorting the true meaning of nationalism. To seek, in a peaceful manner, democracy, freedom, and equitable distribution of wealth under a "unified system" is the true meaning of nationalism, which can be applied in all areas for a long time to come. We are of the opinion that all these attempts fall into the scope of "unifying China under the Three Principles of the People." In essence, they only serve as a footnote for the idea of "unifying China under the Three Principles of the People."

The new meaning of the white paper may be found in such expressions as "the ROC will no longer compete for the 'right to represent China' with Communist China in the international arena. But even an expression like this was a main theme for our practical diplomacy of the earlier days. The current terminology is relatively clearer but there is nothing new in the concept itself. No one knows what results this policy can achieve in practice because, for one thing, we cannot control the whole situation as we wish. Another reason is that we cannot measure our achievements only from the diplomatic level because diplomatic benefits can often be turned into a minus point in terms of cross-strait relations.

It stands to reason that our mainland policy is getting confused after so many years of heated discussions. The Mainland Affairs Council white paper, if not a regular special article, can be interpreted as a real wake-up from our mainland policy dream. Awakening from a quaint and whimsical thinking, it returns to its original nature and reveals something of its true colors. From a well-balanced point of view, this is indeed gratifying. In terms of the framework of the white paper on the mainland policy, we would like to forward the following opinions concerning mainland affairs for the reference of the government and the public: First, priority efforts should be given to the establishment of a mainland policy

system that has interrelated links connecting affairs concerning Taiwan, the two sides of the Taiwan Strait, and the international society. Instead of being self-contradictory and confusing, such a system should be consistent when carried out at home and abroad. At present, it seems that we have different mainland policies for different situations—a set for dealing with domestic political struggles in Taiwan, a set for dealing with cross-strait negotiations, and a set designed for use in the international arena. On top of that, it is a common case that we use one policy set today and another tomorrow. Consequently, it is inevitable that our policy becomes self-contradictory and fragmented. If we cannot establish a rational and clear-cut policy system, how can we push forward the mainland work?

Second, it is necessary to honestly review our national unification program's functions. With an increasing interdependency of economic relations and trade between the two sides of the Taiwan Strait, the upcoming expiration of the rights of air flights between Hong Kong and Taiwan in 1995, and the imminent transition of Hong Kong to China in 1997, the functions of such a program will soon become completely invalid. If we remain inflexible and stick to our old ways, the national unification program will become a political burden that only serves to prevent us from seizing opportunities and bring us trouble.

Third, we should attach importance to readjusting political and economic interactions between the two sides of the strait. In recent years, cross-strait political hostility has gradually escalated while economic interdependence between the two sides is being deepened. This is a fact universally witnessed. Moreover, as the two sides are about to join the GATT, the pressure of economic exchanges will continue to mount. Under this situation, the space for political activities by Taiwan in cross-strait interaction will continue to shrink. Naturally, faced with this trend, it is impossible to maintain for long the situation in which "economic dividends are enjoyed while political squabbling continues." Taiwan must readjust, at an early date, its political and economic policies to make them conform with each other.

Fourth, we should set a clear demarcation line between "internationalization of the Taiwan question" and the "Taiwan card." Naturally, to deal with cross-strait issues, we should create an international environment that is favorable to us. Therefore, "internationalization of the Taiwan question" is what we should pay close attention to. Nevertheless, the essence of our efforts in this area should not change to turn Taiwan into a "Taiwan card" in international politics. This is because we will face a situation in which whoever plays with fire gets burned.

Fifth, we should not misuse cross-strait issues as a means for internal political struggle. Politicians tend to use provocations abroad to create prestige at home. This tactic has been often used in the history of politics. Of course, faced with pressure from the opposite shore, our



political leaders should not show weakness, but they should maintain the normal posture of neither be supercilious nor obsequious. However, in the past few years, some people have been content about starting hostilities abroad. When the people at the higher level make a move, those at the lower level follow en masse. In the interest of the 20 million people on Taiwan, we should stop this type of tactic.

Sixth, we should avoid forcing a strategic showdown. Instead, we should do everything possible to collect tactical achievements. Now, cross-strait hostility has escalated because of strong disagreement over high-level strategic topics of discussion, such as "one China" and "two Chinas." As a result, this has hampered the progress of lower-level topics of discussion. Thus, our work regarding the mainland is inevitably faced with the risk of "having all or having nothing at all." We feel that work related to the mainland should move forward slowly, just as we clean a glass window. It is unwise to think that we can clean the window with only one stroke. This is to say that we should be pragmatic and should try to accumulate small tactical victories into big ones. After this, we should use tactics to influence strategy. We should not rashly attempt to force a strategic showdown.

Seventh, we should avoid being excessively dramatic in assessing changes in the world situation. Recently, more and more people have linked Taiwan's future with the death of Teng Hsiao-ping [Deng Xiaoping]. We hold that the people who hold this view are using the 21 million [as published] people of Taiwan as a gambling stake. When a national policy is based on such a viewpoint, there is certainly cause for concern. Judging from Taiwan's internal and external conditions, the more turbulent the cross-strait situation becomes, the more Taiwan should deal with the changes or witness the changes with calmness; it should avoid being used by the Chinese Communists as a pretext or chip for solving an internal dispute.

#### **Premier Lien Chan Orders Crackdown on PRC Stowaways**

*OW0907113194 Taipei Voice of Free China in English 0200 GMT 8 Jul 94*

[Text] Premier Lien Chan Wednesday [6 July] ordered a crackdown on fishing vessels which are used to ferry mainland Chinese stowaways between the mainland and Taiwan. Attending a regular meeting of the Executive Yuan, the premier said that these floating hotels are major contributors to the rampant cross-strait human trade and ordered the National Police Administration and Coast Guards to search its (?boats) to put a stop to stowaways.

Lien said the undercover police officials went aboard of a fishing vessel last month and found it was being used

to recruit illegal mainlanders for jobs in Taiwan. He said the police took a number of photos and seized evidence which show the floating hotels are a serious problem.

[Words indistinct] the legislation on the issue, Lien called on the Council of Agriculture, Ministry of Transportation and Communications, Council of Labor Affairs, and National Police Administration to form a task force and develop a unified policy on the [words indistinct] of the mainland fishermen.

#### **Typhoon Tim Kills 4, Injures 38; 45 People Missing**

*OW1107082794 Taipei CNA in English 0750 GMT 11 Jul 94*

[By Sofia Wu]

[Text] Taipei, July 11 (CNA)—President Li Teng-hui Monday [11 July] ordered all government agencies to work together to help Typhoon Tim victims rebuild their homes as soon as possible.

Li made the instruction after hearing reports on the damage the strong tropical storm inflicted on the island.

The typhoon rampaged through Taiwan Sunday, leaving four persons dead, 45 missing and 38 others injured, police authorities said. Many houses in Hualien and Ilan Counties in eastern and northeastern Taiwan were destroyed, and more than 2 million households around the island experienced power outages. Several railroads and highways were closed to traffic because of landslides.

Premier Lien Chan Monday ordered police authorities to continue searching for missing people, among whom were 39 mainland Chinese seamen who had been aboard a freighter that ran aground off Ilan County.

Lien also ordered Taiwan Power Company, a state monopoly, to resume power supplies to urban areas within 24 hours and to the countryside and mountainous regions within 48 hours.

Agricultural authorities should take necessary measures to ensure an adequate supply of vegetables and fruits and prevent unreasonable food price fluctuations, Lien said.

The eye of the typhoon landed at Hualien in eastern Taiwan at 8 P.M. Sunday, with its storm circle covering the entire island. Tim's eye left the island at dawn Monday, according to the central weather bureau.

Landslides were reported on the southern cross-island highway and parts of the Suao-Hualien highway, blocking traffic. The two highways are not expected to reopen before Tuesday. Heavy rains and winds caused a blockage of the northbound railway Sunday night. The railway is expected to reopen to traffic Monday afternoon.

## Hong Kong

### XINHUA Kills Item on Jiang Zemin's Remarks

OW0907005894 Beijing XINHUA Domestic Service  
in Chinese 1120 GMT 8 Jul 94

[By reporters Duanmu Laidi (4551 2606 0171 1229) and Feng Xiuju (7458 4423 5468); Beijing XINHUA Domestic Service in Chinese at 1350 GMT on 8 July transmits a service message killing the following item]

[Text] Beijing, 8 Jul (XINHUA)—State President Jiang Zemin said here today: We have never placed the hope of realizing Hong Kong's smooth transition and maintaining its long-term stability and prosperity on others. The key to solving the problems of Hong Kong's future lies in "one country, two systems" and "letting Hong Kong people administer Hong Kong."

While meeting members of the Preliminary Working Committee [PWC] of the Preparatory Committee of the Hong Kong Special Administrative Region, who were here to attend the committee's third plenary session, at the Great Hall of the People this afternoon, Jiang Zemin said: To maintain Hong Kong's long-term stability and prosperity, we must rely on ourselves, on our powerful and increasingly flourishing and developing motherland, and on the 6 million Hong Kong compatriots. Hong Kong compatriots can not only create Hong Kong's prosperity today, but can surely also make it more beautiful and better tomorrow.

Jiang Zemin noted: In light of the stipulations in the Sino-British Joint Declaration, the British side has the responsibility and obligation to realize the smooth transfer of power. Maintaining Hong Kong's prosperity and stability before and after 1997 is also in Britain's interests.

Jiang Zemin spoke highly of and fully confirmed the work that the PWC has done since its founding one year ago. He said: The PWC is an organization for making preparations for the resumption of sovereignty exercised by China over Hong Kong. It shoulders an important mission and is confronted with an arduous task.

Jiang Zemin said: Over the past year, the PWC has studied the issues related to political affairs, economy, laws, culture, social security and others, and has put forward many valuable plans and views after widely soliciting the opinions of Hong Kong people. The results are remarkable and the members have devoted a great deal of energy and hard work to this end.

He expressed the hope that the members will continue their efforts to make fresh contributions to Hong Kong's smooth transition and transfer of power.

Qian Qichen, vice premier and chairman of the PWC; and PWC Vice Chairmen, including Ann Tse-kai, Henry Fok Ying-tung, Lu Ping, Zhou Nan, Zheng Yi, and Simon Li Fook-sean, were at the meeting.

### Top SAR Officials Reportedly May Come From Private Sector

HK1207085094 Hong Kong MING PAO in Chinese  
12 Jul 94 p A2

["Special dispatch" from Beijing by staff reporters Li Wai-ling (2621 1979 3781) and Du Fu-leung (2629 4395 5328): "The Chinese Side Says Anson Chan Is Not Trustworthy, Senior Officials of the Special Administrative Region Can Be Recruited From the Private Sector"]

[Text] A Chinese official said explicitly to these reporters that the major officials of the special administrative region government are not necessarily to be chosen from among civil servants; he said the Chinese side thought that looking for candidates from among private organizations is also a viable method.

He said that the Chinese side has decided not to discuss with the British side the matter of the transition of senior Hong Kong Government officials. Under these circumstances, he urged senior Hong Kong Government officials to communicate more and seek more contacts with the Chinese side, so as to deepen mutual understanding. He said that this will help the Chinese side to arrange the group to govern Hong Kong after 1997.

This official said that according to the Basic Law, various major officials will be selected and appointed by the chief executive. The Chinese side had originally wanted to see mainly civil servants taking various major posts, so as to absorb their relevant experience; however, since the Sino-British row over political reform erupted, the foundation of mutual trust between China and Britain has been seriously damaged, and the Chinese side has started actively considering the possibility of looking for major officials elsewhere. He stressed that this action does not contradict the Basic Law.

He said that the Chinese side has not decided in concrete terms which posts will be taken by the current civil servants and which will be filled by those hired from elsewhere.

According to him, the Chinese side has always held that if there are suitable candidates among civil servants, then allowing them to fill the posts is the best choice, for they possess the relevant administrative experience; but the Chinese side's principle is that they will not necessarily be chosen from among civil servants.

### The Chinese Side and Hong Kong Officials Must Have Mutual Trust

The Chinese side thinks that looking for major officials from among the relevant trades is also a viable choice; for example, looking for an attorney general from among the legal profession; and looking for a secretary for works and a secretary for planning, environment and lands from among engineers, architects, and surveyors.

He said that Hong Kong has precedents for looking for officials of secretary level from among private organizations, therefore the method should not be doubted. For example, the current Attorney General, Jeremy Mathews, the current Secretary for Works, James Blake, and former Financial Secretary Bremridge were all hired from private organizations and became civil servants.

This official did not explain in detail the criteria by which the Chinese side will determine whether a certain post should go to a current civil servant or be filled by a candidate from elsewhere, but he admitted that between the Chinese side and the persons serving in the major posts there should at least be a foundation of mutual trust.

He went further, pointing out: "We do not know developments in the future. But as far as the current stage is concerned, seeing (Chief Secretary) Anson Chan's vigorous marketing of Governor Patten's political reform plan, would it not be difficult for us to trust her?" He disclosed that within the Chinese Government, many people have doubts whether Chief Secretary Anson Chan can continue serving after 1997.

Chinese officials still have different opinions on the candidate for the post of chief executive and the candidates for the posts of major officials, though they have established the simple principle that these officials must be trusted by both the Chinese and Hong Kong sides. However, the relevant discussions have already been narrowed down to individual candidates.

#### Two Kinds of Appraisals of John Chan

For example, there are currently two very different kinds of appraisals of John Chan, the former secretary for education and manpower who has already left the Hong Kong Government. One opinion holds that he is intelligent and capable, that he has administrative experience in the Hong Kong Government, and that he left the Hong Kong Government during the dispute over political reform to show he did not support Governor Patten's plan, so he should be the ideal candidate for the post of chief executive; but another opinion holds that he quit the Hong Kong Government during the dispute over political reform and this shows that he was not loyal enough to the Hong Kong Government, so trust in him has greatly depreciated. Concerning which opinion will gain the edge, it is still difficult to say at this time. On the other hand, Wang Fengchao, deputy director of the State Council's Hong Kong and Macao Affairs Office, offered a clear definition of the separation of political and economic affairs. He told these reporters that the Chinese side will not discuss with the British side the plan for elections to the Legislative Council, or the issue of the transition of senior officials, including the candidate for the post of chief executive; but that, however, China and Britain can settle through discussions issues other than these two issues.

Wang Fengchao said that the Legislative Council has passed Governor Patten's political reform plan and this

means that the Chinese and British sides are totally unable to cooperate in the political area. He explained that in concrete terms, to the Chinese side, the so-called political issues include the plan for elections to the Legislative Council and the issue of the transition of senior officials. According to the principle of separation of political and economic affairs, the Chinese side will discuss with the British side issues other than these two issues.

According to information, to the Chinese side, the so-called political issues are aimed at the organization of the executive and legislative organs. Concerning the issue of the judiciary, the Chinese side is still willing to discuss it with the British side.

#### PRC Official Reportedly Plays Down Property Market Warning

HK1207071494 Hong Kong SOUTH CHINA  
MORNING POST in English 12 Jul 94 p 5

[By So Lai-fun]

[Text] A Chinese official yesterday attempted to play down the controversy caused by a colleague's claim that the release of too much land into the Hong Kong property market might cause a collapse.

Chen Rongchun, leader of the Sino-British Land Commission, said the "astonishing 300 hectares" referred to by the mainland's top Hong Kong affairs official, Lu Ping, would not be released without the approval of the land body.

The 300 hectares include land from the property price curbing package announced in May, sites along the airport railway, property released under the military land deal, and reserve land.

United Democrat legislator Dr Huang Chen-ya had asked Mr Lu to clarify whether his remarks meant China intended to block the granting of land—a move which would undermine government efforts to combat spiraling property prices.

Dr Huang suggested China was protecting property developers' and speculators' interests rather than those of the public.

Another Chinese official, vice-director of Xinhua (the New China News Agency), Zheng Guoxiong, said China would consider the need for social development and people's livelihood in its decision on whether to release land for development.

China would continue this attitude in future deliberations of the commission.

It was evident from experience that China was willing to endorse an amount exceeding the 50-hectare limit in the land disposal programme, he said.



Asked whether it would harm property developers' interests if too much land were released, Mr Zheng said it was a complicated matter and did not just relate to land supply.

One should look at the matter in a long-term perspective and should keep a balance, he said.

#### **Lu Ping Warns of Property Price Slump**

*HK1007034594 Hong Kong SOUTH CHINA  
SUNDAY MORNING POST in English  
10 Jul 94 p 2*

[By Linda Choy in Beijing]

[Text] The top Chinese official in charge of Hong Kong affairs, Lu Ping, yesterday issued a stern warning that the Government's proposal for extra land supply in the next few years could result in turbulence in the property market. Mr Lu, also the deputy chairman and secretary of the Preliminary Working Committee (PWC), said housing supply would overtake demand if China yielded to all the government requests.

Also speaking on the last day of the three-day session in Beijing, PWC chairman and Chinese Foreign Minister Qian Qichen quoted paramount leader Deng Xiaoping as saying that it was important for the central Government to retain some control over Hong Kong after 1997, despite the Joint Declaration's promise of "a high degree of autonomy".

Mr Lu is the most senior Chinese official yet to express reservations about the Government's proposal for extra land since an inter-departmental task force unveiled a series of measures to curb property prices in May. These include an extra 75 hectares for property development—subject to Chinese approval—as well as the 50 hectares of land reserve. Mr Lu said although Britain made only a three-year forecast in ruling Hong Kong, China's concern was for its long-term stability. The extra 125 hectares of land would be in addition to the 58 hectares along the airport railway which would be granted to the Government before 1997, and the 145 hectares released under the recent defence lands agreement. Noting that all these land grants would be outside the annual disposal programme, Mr Lu said: "(Under the Government's proposal), an astonishing amount of new land would be granted before 1997. The total is estimated to be between 200 and 300 hectares. "If all these were granted [by China], the properties will be ready for sale in 1997, and this could lead to the collapse of the property market due to over-supply." Mr Lu would not say whether China would oppose the proposals. The PWC economic sub-group would look into the issue and make a long-term plan, he added.

On the political front, Mr Lu urged Governor Chris Patten to uphold his promise to work for a smooth transition and give full co-operation to the future chief executive. He was referring to the PWC suggestion that the Special Administrative Region (SAR) chief executive

should be selected by the beginning of 1997. Mr Lu also said that the legal sub-group would closely monitor law amendments to see if they contravened the spirit of the Basic Law.

Meanwhile, Mr Qian told the PWC meeting that the Chinese authorities had a role to play in maintaining the long-term prosperity of Hong Kong. Quoting from a speech by Mr Deng in 1987, Mr Qian called on the PWC members to consider the central Government's thoughts when mapping out the details of the SAR government. In a speech delivered to Basic Law drafters in 1987, MF Deng said it was essential for the central Government to reserve some control over the SAR. "If the central Government delegates all the power [to the SAR], it will result in some form of confusion which is destructive to the interests of Hong Kong," Mr Deng was quoted as saying. There was the possibility that the SAR might act against the interests of the country and the region, Mr Deng said. He added that the central Government would not act against the interests of Hong Kong, nor would it try to intervene in the SAR's affairs.

Mr Qian said that despite Britain's pledge to co-operate with China outside the scope of political development, Hong Kong people had to be alert to any unexpected trouble it might cause.

#### **Hong Kong, PRC Government Officials To Resume Visits**

*HK1207071394 Hong Kong SOUTH CHINA  
MORNING POST in English 12 Jul 94 p 2*

[By Chris Yeung]

[Text] Mutual visits by government officials to Hong Kong and China, suspended for almost two years, have resumed following the passage of the political reform bill.

Secretary for Recreation and Culture, James So Yiu-chong, will lead a delegation to China beginning on July 21 at the invitation of the Ministry of Culture.

The eight-member team includes Deputy Director of Broadcasting Chu Pui-hing, and Deputy Director of Urban Services, Leung Pak-chung.

The team meets officials from the Hong Kong and Macao Affairs Office and other ministries in Beijing.

Members will also visit Chengdu, the capital city of Sichuan province.

The trip is part of a programme of visits to China started in 1988 for government officials to become familiar with China's policymaking apparatus and process.

Officials from the two governments said mutual visits were expected to be fully restored in view of the recent thaw in relations between China and Britain.

A visit by the Attorney-General Jeremy Mathews, originally planned for the end of 1992, was cancelled by the Ministry of Justice which said it would be too busy to receive the group.

Official sources said they expected more mutual visits would take place this year.

## 2d Phase of UK Nationality Scheme Oversubscribed

HK1207071294 Hong Kong SOUTH CHINA MORNING POST in English 12 Jul 94 p 1

[By Darren Goodsir]

[Text] The second phase of the British nationality scheme has been oversubscribed by more than three times—and swamped by managers and company administrators—in an apparent reflection of growing concern at the change of sovereignty in 1997.

Government figures obtained by the South China Morning Post show that 41,597 people applied for British nationality. Only 13,160 places were on offer under all sections.

In a dramatic contrast to the first phase, where quotas for police, business managers and disciplined service classes were not filled, all such groups have this time been besieged with bids.

Business professionals seeking full British passport rights outstripped the quota by 14 times. Meanwhile there were 12,773 applications for the 2,753 positions assigned to managers and business administrators.

Other groups overwhelmed by applications included social workers, translators, interpreters, architects, planners, surveyors and teachers.

The Deputy Secretary for Security, Keith Kwok Ka-keung, said last night the rash of applications was not totally unexpected, given the limited number of places on offer in effectively the last chance to secure British nationality.

However, he admitted surprise at the large figures for business professionals and managers.

Mr Kwok said 1,500 positions under the entrepreneur and sensitive service categories that had not been taken would be redistributed to other groups. But at this stage no formula had been determined.

Governor Chris Patten has the authority to dictate how the positions should be treated. However, the Security Branch has advised it would be "more prudent" to firstly consult legislators before advocating any firm strategy.

As a result, the Legislative Council's Nationality Committee will be briefed on July 26 on the progress of the scheme.

Under the nationality scheme 50,000 heads of households—and their dependants—have a chance to be registered as British citizens by satisfying a points scheme based on age, skill, English language proficiency, community service, education, training and other criteria.

Nationality committee chairman Emily Lau Wai-hing called for another scheme to be introduced to cater for unsuccessful applicants, saying the authorities had dissuaded many applicants under the first phase with a bad promotional campaign.

"As things get closer to 1997, people are going to get more and more nervous. This may be why this phase has been seriously oversubscribed," she said.

The director of the Hong Kong General Chamber of Commerce, Brigadier Ian Christie, said concern would increase as 1997 neared.

"I have not detected any marked downturn in confidence but there is this natural misapprehension that will grow larger the closer 1997 gets," he said.

## New Members Named to Five Reorganized PWC Special Groups

HK1007041594 Hong Kong WEN WEI PO in Chinese 10 Jul 94 p A8

[By staff reporter group: "Name List of Five PWC Special Groups After Reorganization"]

[Text] Beijing, 9 Jul (WEN WEI PO)—According to the wishes of the new members of the Preliminary Work Committee [PWC] and the professional fields of other members who were appointed to the committee earlier, the PWC chairmen meeting decided to replenish and change the membership of the five special groups. The following is the name list of the special groups after reorganization, and names printed in boldface are new members:

Name list of the special groups of the PWC (adopted by the PWC chairmen meeting on 9 July 1994)

First, Political Affairs Group (30 people)

Group chiefs: Leung Chan-ying, Xiao Weiyun

Members: Fong Wong Kit-man, **Wong Ying-wai**, Lau Siu-kai, Lau Wong-fat, **Lau Hon-chuen**, Chu Yau-leung, Wu Wai-yung, Lee Fuk-sin, Chan Yat-san, Fan Chui Lai-tai, Lo Suk-ching, Lo Tak-sing, Cha Chai-man, Xu Simin, Chung Si-yuen, Ngai Siu-kit, Wong Po-yan, Tsang Hin-chi, Tsang Yuk-sing, **Cheng Ming-fan**, Tam Wai-chu, Wang Fengchao, Chen Wei, Shao Tianren, Zhao Jihua, Zhao Chengkui, **Guo Fengmin**, Qin Wenjun

Second, Economic Affairs Group (34 people)

Group chiefs: Fong Wong Kit-man, Gao Shangquan

Members: **Wong Ying-wai**, Lau Wong-fat, Li Ka-shing, Li Kwok-po, Li Tsak-tim, Li Cho-tsak, Ng Ka-wai, Ng

**Ching-fai**, Siu Yau-po, Lo Hong-sui, **Cheng Ming-fan**, Cha Chai-man, Chung Si-yuen, Ngai Shiu-kit, **Wong Yi-wang**, Wong Po-yan, Leung Chan-ying, Tsang Hin-chi, Tam Yiu-chung, Henry Fok Ying-tung, Wan Sha-ofen, Wang Qiren, **Uranmulun**, Gan Ziyu, Li Guohua, Li Weiting, Chen Yuan, Chen Ziyang, Zhou Xiaochuan, Jing Shuping, **Zhang Liangdong**, Yu Xiaosong

Third, Law Affairs Group (15 people)

Group chiefs: Li Fuk-sin, Shao Tianren

Members: **Lau Hon-chuen**, Lo Tak-sing, **Ka Wai-nga**, Tam Wai-chu, Tam Yiu-chung, Wang Shuwen, Chen Wei, Chen Ziyang, Xiao Weiyun, Wu Jianfan, Zhao Jihua, Xu Ze, Qin Wenjun

Fourth, Cultural Affairs Group (15 people)

Group chiefs: Wu Wai-yung, Wu Jianfan

Members: Lau Siu-kai, **Li Cho-tsak**, Ng Hong-man, **Ng Ka-wai**, **Ng Ching-fai**, Xu Simin, Tsui Chin-tong, Tsang Yuk-sing, Henry Fok Ying-tung, Wang Shaofen, Wang Fengchao, Zhou Chengkui, **Weng Xinqiao**

Fifth, Social and Security Affairs Group (12 people)

Group chiefs: Fan Chui Lai-tai, Wang Shuwen

Members: Chu Yau-leung, Li Tsak-tim, Ng Hong-man, Lo Suk-ching, Tsui Chin-tong, **Wong Yi-wang**, Tian Qiyu, Xu Huizi, Xu Ze, Li Weiting

## Macao

### XINHUA Director Offers Thanks for Flood Donations

OW0807173994 Beijing XINHUA in English 1642  
GMT 8 Jul 94

[Text] Macao, July 8 (XINHUA)—Guo Dongpo, director of the Macao branch of the XINHUA NEWS AGENCY, expressed his gratitude to the Macao compatriots and local government for their donations to China's flood-stricken areas here today.

The June flood, believed to be the largest in decades, hit six provinces in south and southeast China, killed hundreds of people and caused huge economic losses.

Guo said that by July 7, Macao had made a donation exceeding 20 million HK dollars.

The XINHUA branch has received a sum of 14.74 million HK dollars donated by Macao compatriots in all circles, of which 5 million have been turned over to the ministry of civil affairs for disaster relief, with the rest in transfer.

Donated relief clothes, medicine and food have been sent to flood-ravaged regions in a timely manner, said the director.

Recently the Macao Government decided to donate one million Macao patacas, while the Macao Municipal Council allocated 100,000 Macao patacas.

Governor of Macao Rocha Vieira conveyed his sympathy and solicitude in a June 21 telegraph to Governor of Guangdong Province Zhu Senlin.

### Officials Deny New Body Threatens Governor's Authority

HK1207071794 Hong Kong EASTERN EXPRESS  
in English 12 Jul 94 p 6

[By Harald Bruning in Macao]

[Text] Senior Macao government officials have angrily denied reports that a new Portuguese parliamentary body, which will oversee human rights in Macao, is a threat to the authority of the enclave's governor.

The new body is to be set up later this month and will take responsibility for human rights and civil rights in the enclave—a move described as “a yellow card” for the governor, General Vasco Rocha Vieira, by the media.

One senior government official said: “It is absolutely wrong to describe the Portuguese parliament's plans to set up a Permanent Committee for the Following Up of Macao Matters as a yellow card for the governor.

“It's exactly the opposite, because the Portuguese authorities—government and president—always have shown the green card to Rocha Vieira.”

He insisted that “there are no human rights or civil liberties problems in Macao”.

Plans to set up the parliamentary group follow several controversies involving human rights issues.

A group of prominent Macao journalists have complained to Portuguese President Mario Soares that the Macao government has encouraged public distrust of the media.

Vieira is also embroiled in a legal wrangle over the extradition of criminal suspects from Macao to China—which could be found to be in breach of Portugal's constitution.

The country's constitutional court will deliver its ruling on extraditions in Lisbon today after a Hong Kong man wanted for murder in China challenged Vieira's approval of his extradition.

Another senior official said yesterday that attacks against Vieira's authoritarian style of leadership were unfair.

“The governor continues to have the full confidence of President Soares,” he said.



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